THE GENERAL PROPERTY TAX IN MICHIGAN: VARIATIONS IN LOCAL ASSESSMENT LEVELS

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THE GENERAL PROPERTY TAX IN MICHIGAN: VARIATIONS IN LOCAL ASSESSMENT LEVELS

By

Arley Dean Waldo

AN ABSTRACT

Submitted to the College of Agriculture Michigan State University of Agriculture and Applied Science in partial fulfillment of the requirements for the degree of

MASTER OF SCIENCE

Department of Agricultural Economics

Approved Kaleijh Barlaves

ABSTRACT

The purpose of this study was to ascertain the extent to which certain property classes tend to be either over-valued or under-valued by local property tax assessors in Michigan.

Data from 21 county equalization studies completed by the Michigan State Tax Commission during the period from 1955 to 1959 were utilized in the analysis. These studies included data for 320 township and 53 city assessment districts.

The county equalization studies, which were based upon sample field appraisals by the Tax Commission, provided estimates of the assessmentappraisal value ratios of each property class within the individual local assessment districts. The assessment-appraisal value ratios were adjusted to the equivalent of a 100 percent assessment for all real property and for all personal property within each assessment district.

It was assumed that the appraisal valuations of the Tax Commission were a uniform measure of the true property values. Thus, in each district, variations in the assessment levels of the individual property classes were measured by the deviation of the individual property class assessment level from the average assessment level of either all real property or all personal property in the district. The distribution of adjusted assessmentappraisal value ratios was then computed for each property class.

Among the township assessment districts, 20 classes of real property and 5 classes of personal property were analyzed. In general there were wide variations among the assessment levels for each property class. The analysis indicated that local assessors tended to over-value cutover lands, farm vacant real estate, and lands upon which timber has been partially harvested. Under-assessment was most prevalent for suburban residential properties. There was also a tendency for assessors in predominately rural areas to value potential homesite properties at higher levels and farm improved real estate at lower levels than did assessors in urbanized townships.

Township assessors tended to over-value pipelines and the personal property of utilities, and to under-value farm and industrial personal property.

Among the city assessment districts, 6 classes of real property and 3 classes of personal property were analyzed. The data indicated that utility real estate was over-valued and that potential business and potential residential properties were under-valued by the local assessors. City assessors also tended to over-value utility personal property and to under-value industrial personal property.

The study concluded that assessments within the individual districts were far from uniform and that certain classes of property were overassessed in a substantial majority of the districts. Moreover, the present equalization system is not adequate to assure the equitable treatment of all property owners.

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CHAPTER I

INTRODUCTION

One of the most pronounced changes in the economic character of the United States, especially over the past three decades, has been the rapid growth of both the absolute amount and relative importance of government revenues and expenditures in the nation's economy. The economic activities of the federal government, given impetus by efforts to combat the depression of the 1930's, have accounted for a substantial part of the increased importance of public finance. But, state and local governments have also felt the demand for the expansion of public facilities and services. At all levels of government the complex of the nation's growing population has brought demands for social and public services which can be provided only by government. This demand has placed a heavy burden upon the tax base of the nation, and it has created a great deal of interest in the subject of taxation.

The general purpose of the following study is to focus attention upon the general property tax in Michigan. The taxation of property has probably been subjected to more sustained criticism than has any other general form of taxation in the United States. However, despite serious faults, the general property tax still remains the basic source of tax revenue for local units of government.

Nature of the Study

The Problem

In the broadest sense, the general property tax is a tax on all forms of wealth, both tangible and intangible, levied at a uniform rate according to the prevailing market value of the property.¹ However, in practice the general property tax varies in several respects from this general definition. First, many types of property are excluded from taxation entirely or are taxed at rates which differ from those applied to other types of property. There is little uniformity among states as to the types of property that are wholly or partially exempted from taxation. Second, given the legal requirements for property taxation within the state, the failure to uniformly assess the taxable property results in the inequitable treatment of some property owners.

Disregarding the question of the "fairness" of the legal stipulations of the property tax,² the primary problem associated with the taxation of property is that of uniform property assessment. Alfred Marshall once commented that "the difficulty of assessment, though undoubtedly very great, is of a kind to be diminished rapidly by experience; the first thousand such assessments might probably give more trouble, and yet be less accurately made than the next twenty thousand."³ Nonetheless, the problem of uniformly assessing all property at the same percentage of current market value is still of major concern in Michigan today.

¹Cf. Harold M. Groves, <u>Financing Government</u> (Fourth edition; New York: Henry Holt and Company, 1954), p. 43.

²The terms "general property tax" and "property tax" will be used interchangeably hereafter.

³Alfred Marshall, <u>Principles of Economics</u> (Eighth edition; London: Macmillan and Company, 1956), p. 663n. (First published in 1920).

Objectives

This study deals generally with the operation of the general property tax in Michigan and, more specifically, with the assessment practices of the assessing officers in the local tax districts. The objectives of the study are twofold: First, to review the legal and administrative aspects of the Michigan property tax system; and, second, to ascertain the extent to which certain classes of property are being either overassessed or under-assessed relative to the assessment levels of other classes of property within the local assessment districts.

An appraisal of the activities of Michigan's local assessors necessitates a brief study of the historical development of the current property tax system. Moreover, the criteria against which the quality of local assessment must be judged are determined by the legal requirements for property taxation.

The analytical portion of this study is concerned with the relationships among the average assessment levels of different classes of real and personal property within each of the local assessment districts in twenty-one Michigan counties. Although it is generally conceded that there is a wide variation in the average assessment levels of the various local districts, previous studies have not placed major emphasis upon the variations which exist among different property classes. The general hypothesis of the current study is that certain classes of property are, in a substantial majority of the cases, either overassessed or under-assessed relative to the average assessment level of all classes of property within the local assessment district. Hence, it is

hypothesized that the owners of certain types of property are receiving inequitable treatment under current assessment practices.

Historical Trends

Property Taxation in the United States

The general property tax has been, historically, a major source of revenue for both state and local governments. The federal government has levied a property tax on only three occasions,⁴ but the constitutional requirement that all direct federal taxes be levied upon the states in proportion to their population has prevented any extensive use of the property tax as a source of federal revenue.

Prior to the 1930's state governments relied heavily upon the general property tax; but, as the demand for state governmental expenditures increased and the property tax delinquencies of the depression years substantially limited property tax receipts, the states were forced to seek new sources of revenue. As indicated in TABLE 1-1, state tax revenues now result largely from general sales, use, and gross receipts taxes, and from personal and corporate income taxes.

Although the general property tax now accounts for only a minor portion of state tax revenues, it has consistently provided local governments with their only important source of tax revenue. A comparison of the relative importance of property tax revenue in state and local

⁴Groves, <u>op</u>. <u>cit</u>., p. 41.

TABLE 1-1 State tax collections, selected years (in millions of dollars)

Year	Total ^a	Sales use and Gross Receipts	Income ^b Taxes	Property Taxes
1915	368		2	186
1922	947		98	348
1925	1,305		10 3	359
1930	2,108	1	233	34 5
1933	1,724	16	121	285
1935	2,217	284	159	248
1940	3,313	49 9	361	260
1945	4,307	776	809	276
1950	7,912	1,670	1,310	307
1955	11,584	6,864	1,821	412
1957	14,531	8,436	2,547	479

^aExcluding unemployment compensation.

^DBoth corporate and personal.

governmental finance is given in TABLE 1-2. Property taxes have provided as much as 50 percent of all state tax revenues in the past, but in 1953 property taxes accounted for only 3.5 percent of the total state tax receipts. On the other hand, the general property tax has consistently provided local governments with about 90 percent of their total tax revenues. Many state governments have abandoned the general property tax altogether, thus leaving this area of taxation exclusively to local units of government.

Source: United States Bureau of the Census, <u>Historical Statistics</u> of the United States, 1789-1945 (Washington: United States Government Printing Office, 1949); <u>Continuation to 1952</u> of <u>Historical Statistics</u> of the United States, 1789-1945 (Washington: United States Government Printing Office, 1954); and <u>Statistical Abstract</u> of the United States, 1956 and 1958 (Washington: United States Government Printing Office, 1956 and 1958).

TABLE 1-2 State and local property tax revenues, selected years

	Property Ta	ax Receipts	Total Ta	x Receipts	Property Ta as a Pero of Total Ta	ax Receipts centage ax Receipts
Year	State	Local	State	Local	State	Local
1902	82	624	156	704	52.6	88.5
1913	140	1,192	301	1,308	46.5	91.1
1 932	328	4,159	1,890	4,274	17.3	97.4
1946	249	4,737	4,937	5,157	5.1	91.7
1953	36 5	9,010	10,552	10,356	3.5	87.1

(in millions of dollars)

Source: Kenyon K. Poole, <u>Public Finance and Economic Welfare</u> (New York: Rinehart and Company, 1956), p. 277.

Insofar as the combined total tax revenue of the federal, state, and local governments is concerned, the relative importance of the general property tax has declined a great deal since the 1930's. This, of course, occurred as the federal and state governments turned to new taxes, especially sales and income taxes, as sources of tax revenue.⁵ In 1956 property taxes yielded only 13 percent of all tax revenues in the United States.⁶

Property Taxation in Michigan

<u>General History</u>. The general property tax has been an important source of revenue to both the state and the local governments in Michigan.

⁵See Mabel Newcomer, "The Decline of the General Property Tax," <u>The</u> <u>National Tax Journal</u>, Volume VI (March 1953), pp. 38-51.

⁶United States Bureau of the Census, <u>Summary of Governmental Finances</u> <u>in 1956</u> (Washington: United States Government Printing Office, 1957), p. 20.

In 1910 a total of \$35.7 million in property taxes were levied in the state as a whole. Of this amount, \$4.7 million was levied by the state government, and \$31.0 million was levied by various local units of government. TABLE 1-3 gives the total amount of property taxes levied in the state by all governmental units, and the proportion of the total amount that was levied by the state government, for selected years since 1910. The total property tax levy increased rapidly following World War I, reaching a peak of \$266.8 million in 1930. During this period the proportion of the total property tax levied by the state government declined slightly from a high of 16 percent in 1915 to 11 percent in 1930.

TABLE 1-3	Total general property	tax levies	in Michigan,
	selected years		

Year	Total Levy	State Levy	State Levy as a Percentage of Total Levy
1910	35.7	4.7	13
1915	60.6	9.5	16
1920	140.4	17.4	12
1925	191.7	17.8	9
1930	266.8	29.5	11
1935	147.5		
1940	166.8		
1945	205.3		
1950	342.1		
1955	563.9		
1957	710.5		

(in millions of dollars)

Source: Michigan State Tax Commission, <u>Twenty-Fifth Report</u>: <u>1947-48</u> (Lansing, 1949) and <u>Thirtieth Report</u>: <u>1957-1958</u> (Lansing, 1959).

The depression of the 1930's led to lower property values and a substantial increase in the number of property tax delinquencies. The inability of property owners to meet tax payments as property values and incomes dropped during the depression, along with the general plight of government financial conditions, resulted in a number of tax reform measures. In 1932 the state government assumed most of the cost of construction and maintenance of county and township roads. The following year a state sales tax was enacted, and the state government levied a general property tax for the last time in 1934. Since that time the general property tax has been levied solely by local units of government. However, the state has continued to levy a specific tax on certain utilities.

The total assessed valuation of property subject to the general property tax rose steadily to a high of nearly \$8.5 billion in 1930. The declining property values of the 1930's forced the total valuation down to a low of \$5.7 billion in 1935.⁷ Since that time the size of the Michigan property tax base has increased in nearly all years. In 1958 the total tax base was just under \$16 billion in assessed valuation.⁸

The Reliance of Local Governments on Property Tax Revenue. Five different units of local government--counties, townships, cities, villages, and school districts--depend upon property taxes as a major source of revenue. The total amounts of property taxes levied by these five governmental units in selected years since 1940 are given in TABLE 1-4. The total levies of townships and villages have been comparatively small.

⁷Part of the decrease in valuation was caused by the removal of tax-reverted lands from the local assessment rolls.

⁸Michigan State Tax Commission, <u>Thirtieth Report: 1957-58</u> (Lansing, 1959), p. 66.

TABLE 1-4 General property taxes levied by local governments in Michigan, selected years

County ^a	Township ^b	School	City	Village
31.6	2.7	51.3	76.7	4.2
35.1	3.2	71.6	90.9	4.4
65.0	2.7	131.8	136.2	6.3
102.3	8.6	260.2	184.2	8.5
125.6	8.2	338.6	230.6	7.4
	County ^a 31.6 35.1 65.0 102.3 125.6	County ^a Township ^b 31.62.735.13.265.02.7102.38.6125.68.2	County ^a Township ^b School31.62.751.335.13.271.665.02.7131.8102.38.6260.2125.68.2338.6	County ^a Township ^b SchoolCity31.62.751.376.735.13.271.690.965.02.7131.8136.2102.38.6260.2184.2125.68.2338.6230.6

(in millions of dollars)

^aIncludes amount levied for county and covert roads. ^bIncludes amount levied for township highways.

Source: Michigan State Tax Commission, <u>Thirtieth Report: 1957-58</u> (Lansing, 1959), p. 67.

In 1957 somewhat less than one-half of the total levy was made by school districts. Cities were second in importance, followed by counties. Since 1940 the amount of property taxes levied by school districts has increased much more rapidly than have the amounts levied by other governmental units.

In a sample of 143 Michigan townships Heneberry and Barlowe found that the general property tax levies, measured in terms of 1940 dollars, increased 1.8 times in 93 agricultural townships and nearly 6 times in 50 urbanized townships in the period from 1940 to 1955.⁹ Moreover, the relative amounts of taxes levied by local governmental units changed considerably during the same period.¹⁰ County taxes in the agricultural townships were more than one-half of the total levy in 1940, but by

⁹William H. Heneberry and Raleigh Barlowe, <u>Property Tax Trends Affect-</u> <u>ing Michigan Farmers</u>, Michigan Agricultural Experiment Station, Special Bulletin 421, 1958, pp. 8-11.

¹⁰<u>Ibid</u>. pp. 17-19.

1955 they accounted for less than two-fifths of the total. In the urbanized townships the proportion of the total levied by the counties decreased from about one-third in 1940 to less than one-fifth in 1955.

Township taxes became relatively less important in both the agricultural townships and the urbanized townships in the period from 1940 to 1955 although they continued to account for a larger percentage of the total tax levy in the urbanized townships than in the agricultural townships. In 1955 township taxes made up less than one-tenth of the tax load in the urbanized townships. On the other hand, school taxes became more important in both groups of townships during the period. Among the agricultural townships, school districts took less than twofifths of the property tax revenues in 1940 and about three-fifths in 1955. During the same period school taxes increased from less than three-fifths to more than seven-tenths of the total levy in the urbanized townships.

Since substantial amounts of local government revenues come from nontax sources, the importance of the property tax to local governments should also be considered in relation to total revenues from all sources. The following data are provided by a recent study.¹¹ In the calendar year 1955 property taxes constituted more than 47 percent of the total revenue, from all sources, of Michigan county governments. State aid for highways was the second most important source of county revenue--slightly less than 29 percent of the total. No other single source accounted for as much as 10 percent of the total revenue.

¹¹Robert H. Pealy <u>et al.</u>, "The General Property Tax," <u>Michigan Tax</u> <u>Study: Staff Papers (Lansing, 1958), pp. 196-199.</u>

Nearly 67 percent of the total revenue of township governments came from state collected--locally shared receipts in the 1955 fiscal year. Property tax revenue contributed slighly less than 20 percent of the total. However, the total revenue for all townships amounted to only slightly over \$25 million for the year.

In the fiscal year 1955 the total revenue for 459 of 496 Michigan cities and villages was about \$375 million. Property tax collections, which made up 38.4 percent of the total, were the largest single source of municipal revenue. Income from public utilities and other public enterprises accounted for 24 percent of the total and ranked as the second most important revenue source.

Michigan school districts received approximately \$438 million in revenue in the 1955 fiscal year. Property tax receipts were again the largest single source of revenue. About 47 percent of the total revenue of school districts came from property taxes. Nearly all of the other revenues resulted from state and federal school aid.

With the exception of townships, which are relatively unimportant insofar as total revenues are concerned, the general property tax provides the largest single source of revenue for all local units of government in Michigan. Furthermore, property taxes are the only important source of tax revenue for all local governmental units. Al-, though the comparative importance of the general property tax varies among the individual governments in each class, the over-all importance of property tax revenue to local governments is readily apparent.

CHAPTER II

LEGAL AND ADMINISTRATIVE ASPECTS OF PROPERTY TAXATION IN MICHIGAN

As a prerequisite to any study of taxation, attention must necessarily be given to the legal and administrative framework of the tax system in question. This is particularly important in the study of property taxation. The evolution of the Michigan property tax system merits review for two reasons: First, the present-day property tax procedures can be fully understood only as the result of legal modification and administrative interpretation throughout its long history. Second, the inequities of the existing property tax system are most readily measured as deviations from the legal requirements which govern the administration of property taxation.

Legal Requirements

The legal foundation of the general property tax system is comprised of constitutional restrictions, state statutes, and court interpretation of both constitutional and statutory provisions. Important modifications of the Michigan property tax system have occurred in all of these areas over the past fifty years.

Constitutional Restraints

<u>State Taxing Powers</u>. The Michigan constitution deals extensively with the field of taxation. The taxation powers of the state government are implied by the nature of its existence. The state possesses all of the taxing powers which are not specifically prohibited by the federal constitution. And, of course, the taxing powers of the state government

may be further limited by the state constitution. The authority of the state to levy and collect taxes is inherent to the legislative branch of the state government.

Local Taxing Powers. All units of local government within the state derive their authority from the state. Since the state cannot grant to local governments any powers which it does not have, all state (and federal) constitutional restrictions concerning taxation are, in effect, restrictions upon the local units of government as well. In light of these constitutional provisions the taxing powers of local governments are further established by the statutes of the state. Thus both the constitution and the legislature may act to limit local government taxing powers.

<u>The General Property Tax</u>. Article X of the Michigan constitution deals at some length with the subject of finance and taxation. Section 3 of Article X instructs that

The legislature shall provide by law a uniform rule of taxation, except on property paying specific taxes, and taxes shall be levied on such property as shall be prescribed by law: Provided, That the legislature shall provide by law a uniform rule of taxation for such property as shall be assessed by a state board of assessors, and the rate of taxation on such property shall be the rate which the state board of assessors shall ascertain and determine is the average rate levied upon other property upon which <u>ad valorem taxes</u> are assessed for state, county, township, school and municipal purposes.¹

Section 4 of Article X further states that "the legislature may by law impose specific taxes, which shall be uniform upon the classes upon which they operate". Thus the legislature is clearly authorized by the

¹Italics mine.

constitution to levy both ad valorem (according to value) taxes and specific taxes upon selected classes of property. In addition, the constitution also provides that a state board of assessors shall be responsible for the assessment of certain public utility properties. These public utilities include, for the most part, railroads and railroad properties, and telephone and telegraph companies.²

Section 3, Article X of the constitution obviously refers to the levy of a general property tax. It is important to note that the constitution calls for a "uniform rule of taxation". Hence, the constitution prohibits the establishment of varying tax rates for different classes of property. However, property which is subject to a specific tax is exempt from this general provision. Section 4 of Article X expressly provides that specific taxes need be uniform only upon the class of property which is subject to a particular specific tax. This rate may be different from that applied in the levy of a general property tax. Some of the most important court decisions in the area of taxation have dealt with the question of whether or not a particular tax was a specific tax and, hence, not subject to the general rule of uniformity.

With the exception of the uniformity provision the constitution permits the legislature wide latitude in selecting the procedures by which a general property tax shall be administered. And the state is free to determine which classes of property shall be subject to a general property tax.

²Michigan, <u>Constitution</u>, Article X, section 5.

The Level of Tax Assessments

The General Property Tax. The constitutional requirement that the legislature provide by law "a uniform rule of taxation, except on property paying specific taxes," is also a mandate which requires that all classes of property subject to an ad valorem tax be assessed at the same proportion of current market value. Section 7, Article X of the constitution further states that "all assessments hereafter authorized shall be on property at its cash value". The term "cash value" has been defined by law as

the <u>usual selling price</u> at the place where the property to which the term is applied shall be at the time of assessment, being the price which could be obtained therefore <u>at private</u> sale, and not at forced action sale.³

Thus the task of the assessing officer is clearly defined. All property subject to ad valorem taxation must be assessed at a uniform level. And the required level of assessment is the actual cash value of the property at the time and place of assessment. (In this connection the Michigan Supreme Court has ruled that all property, except that subject to specific taxation, must be assessed at actual cash value)⁴ The court has further held that the assessment level of any class of property cannot be reduced arbitrarily and must be maintained at cash value.⁵

In the assessment of property the assessing officer is also instructed by law to "consider the advantages and disadvantages of location,

³Michigan, <u>Compiled Laws</u> (1948), section 211.27. Italics mine. ⁴<u>Hudson Motor Car Company</u> v. <u>Detroit</u>, 282 Michigan 69 (1937). ⁵<u>Hayes</u> v. <u>City of Jackson</u>, 267 Michigan 523 (1934). quality of soil, quantity and value of standing timber, water power and privileges, mines, minerals, quarries or other valuable deposits known to be available therein and their value.¹^b In the determination of actual cash value the assessor is required only to use his best judgment and information.⁷ However, the courts have also held that the assessment of property at any level other than cash value is illegal and constitutes a violation of the assessor's oath of office.⁸

Specific Taxes. The constitutional provision for specific taxes, which need be uniform only upon the class of property subject to specific taxation, has permitted the enactment of several important taxes which could not have been imposed otherwise. But, the failure of the constitution to adequately distinguish between ad valorem and specific taxes has resulted in the challenge of nearly all specific taxes enacted by the state legislature on the grounds of unconstitutionality under the uniformity rule. It should be noted that the constitution does not limit the classes of property which may be taxed at specific rates.

<u>Special Assessments</u>. Special assessments, as opposed to the general property tax, are ordinarily made to finance particular local improvements which will directly benefit certain property owners. Such assessments are usually computed on the basis of the estimated increase

⁶Michigan, <u>Compiled Laws</u> (1948), section 211.27.

⁷Cf. <u>Peninsula Iron Company</u> v. <u>Crystal Falls</u>, 60 Michigan 510 (1886); and <u>Meade</u> v. <u>Haines</u>, 81 Michigan 261 (1890).

⁸Wattles v. Lapeer, 40 Michigan 624 (1879).

in property values which will result from the improvement for which the assessment was made. Public projects which are commonly financed by special assessments include drainage districts, sewer lines, water mains, and similar improvements.

Since the increases in property values associated with specific improvements are not necessarily in proportion to current property values, the special assessment is not a tax on the full property value. Hence, the supreme court has held that the rule of uniformity, as required of general property taxes, is not directly applicable to special assessments made for a specific public improvement.⁹

Exemptions from the General Property Tax

The Michigan constitution does not deal specifically with the question of exemptions in the levy of general property taxes; therefore the legislature has had a great deal of freedom in determining which classes of property are to be taxed. There are two principal reasons for exempting certain property classes from the general property tax: (1) to avoid double taxation of property upon which other types of taxes are levied and (2) to give preferential treatment to certain types of property.

There is little uniformity among states as to the property classes which are exempt from the general property tax. Some states exempt all personal property from taxation and levy a general property tax only upon real property. Other states tax most classes of both real and

⁹Wood v. Village of Brockwood, 328 Michigan 507 (1924).

personal property. The general property tax is, by its broadest definition, a tax on all forms of wealth. However, in practice many types of property are either completely or partially exempt from taxation. Although the list of exemptions varies greatly among states, the direct comparison of property tax exemptions is misleading when the exempt property classes are subject to other forms of taxation.

<u>General Exemptions.</u> The General Property Tax Act of Michigan specifically provides

That all property, real and personal, within the jurisdiction of this state, not expressly exempted, shall be subject to taxation. 10

The list of exemptions to the general property tax in Michigan is quite extensive. Although the size of the tax base which is exempt from taxation is not accurately known, estimates range between 13 and 30 percent.¹¹

The most important exemption from property taxation in the state is probably intangible personal property, which is now subject to specific taxation.¹² In the 1957 fiscal year the state-levied intangibles tax accounted for nearly \$24 million in state tax revenue. During that same period local units of government levied a total of about \$622 million in property taxes.

¹⁰Michigan, <u>Compiled Laws</u> (1948), section 211.1.

¹¹Donna M. Werback, <u>Tax Exemptions in the State of Michigan</u> (Papers in Public Administration No. 2; Ann Arbor: Bureau of Government, University of Michigan, 1948), p. 7.

¹²Michigan, Public Act 301, 1939, as amended.

Certain other classes of property are subject to specific taxes and, therefore, are exempt from the general property tax. Most prominent among these exemptions are the personal property of domestic bank and trust companies, the personal property of foreign insurance companies which is not held for investment purposes, motor vehicles upon which registration fees have been paid, grain taxed under the specific grain tax, gas and oil which is subject to a severance tax, and commercial forest reserves. In addition, special treatment is accorded farm food products held in public storage, goods stored in public facilities for shipment to other states, certain classes of boats and shipping vessels, private forest reserves, trailer coaches in parks, unregistered motor vehicles held by dealers, and wild or cutover lands.

Real Property Exemptions. The General Property Tax Act, as amended, also grants complete exemption to certain classes of real property.¹³ Under the usual conditions of use, total exemption is given to all public property of the federal government and the state of Michigan. Complete exemption is also extended to all public lands and buildings owned by counties, townships, cities, villages, and school districts. In addition, the real estate of library, benevolent, charitable, educational, and scientific institutions are wholly exempt from taxation. Also excluded from property tax assessment are the real property of nonprofit organizations which is used for health or hospital purposes, the charitable homes of fraternal or secret societies, and the real estate (not to exceed 160 acres) owned by boy or girl scout organizations.

¹³Michigan, Public Act 206, 1893, section 7, as amended.
The usual exemption is applied to churches and parsonages, and to cemeteries. Other exemptions include the property of agricultural societies used as fair grounds, land dedicated to the public, and the grounds and armories of military organizations.

The legislature has provided that certain war veterans and widows of veterans shall be extended a homestead exemption on real estate to the value of \$2,000. Blind persons are also eligible for exemption of not more than \$2,000 on real estate assessments. In addition, poor persons may be exempted from taxation of both real and personal property at the discretion of the local assessing officer and the local board of review.

<u>Personal Property Exemptions</u>. The legislature has authorized the exemption of certain classes of personal property from the general property tax.¹⁴ Total exemption is granted to the personal property of benevolent, charitable, educational, and scientific institutions; libraries and public reading rooms; patriotic associations and youth organizations; and organized or independent fire companies. Pensions receivable from the federal government and the property of Indians who are not citizens are also exempted.

Extensive exemptions are granted to household personalty. The law expressly exempts the library, school books, family pictures, all clothing and one sewing machine per family from taxation. Furthermore, each household is given an exemption on household furniture, provisions, and fuel to the value of \$5,000. Mechanics tools to the amount of \$500 are exempted, and a \$500 exemption is granted to private businesses.

14<u>Ibid</u>.

Personal property exemptions are also extended to Michigan farmers. All sheep and swine not over six months old, and all horses, mules, and cattle not over one year old are totally exempted from taxation. Each farmer is granted an additional exemption to value of \$1,000 on other farm personalty.

According to one recent study, there are only a few cases of "distinctive treatment" under the General Property Tax Act: (1) the use of a special formula in the valuation of low-grade ore properties and the central assessment of all mining properties by the State Geologist; (2) the computation of the value of the personal property of domestic insurance companies from their annual reports to the Commissioner of Insurance, after the deduction of legal reserves; and (3) the optional use of average monthly valuations in the assessment of commercial and manufacturing inventories.¹⁵

Property Tax Rate Limitations

<u>General Considerations</u>. In most states, including Michigan, there is a constitutional or statutory limit to the general property tax rate which may be levied against the total assessed valuation within the local tax districts. There are two types of rate limitations which are commonly used: (1) an over-all rate limitation which fixes the maximum aggregate rate which may be applied to all property valuations, and (2) a specific rate limitation which fixes the maximum rate which may be applied by each local unit of government. However, other types of rate

¹⁵Robert H. Pealy <u>et al</u>., "The General Property Tax", <u>Michigan Tax</u> <u>Study: Staff Papers</u> (Lansing, 1958), p. 205.

limitations are also in use. In some cases different rate limitations may be established for different property classes, or the limitation may be tied to the amount of the previous year's tax levy.

In several instances the setting of tax rate limits have had undesirable effects. For example, the state of Washington established a 40 mill rate limitation with the general belief that the maximum rate would be more than adequate. However, despite the legal stipulation that all property shall be assessed at 50 percent of current market value, there developed a tendency for the millage levy to be maintained at the maximum rate of 40 mills while the assessment level was varied in order to satisfy changing revenue requirements.¹⁶ In this case the results of the rate limitation were a general reduction of assessment levels, an annual adjustment of assessment levels as dictated by the amount of property tax revenue needed, and a fairly stable tax rate. This example illustrates the necessity of regulating both the tax rate and the assessment level if adequate control of the maximum property tax levy is to be achieved.

The over-all property tax rate limitation is generally acknowledged to be more effective in holding down or reducing aggregate property tax rates than are specific limitations. But the application of an over-all rate limitation requires that some sort of allocation system be employed to apportion the available millage among the various competing units of

¹⁶Maurice W. Lee, <u>Tax Structure of the State of Washington</u> (Economic and Business Studies, Bulletin No. 14; Pullman: The State College of Washington, April, 1950), pp. 95-96.

local government. As pointed out by Groves, the over-all rate limitation also has the effect of limiting the freedom of the local citizenry in determining the amount of their own money which is to be spent on public services.¹⁷

Property tax rate limitations have been criticized on several counts, but most criticism has been based on two opposing arguments. Some have charged that the rate limitations have been ineffective in holding the property tax burden within a fixed limit. Although some flexibility is usually conceded to be necessary, the ease with which some limitations can be exceeded has brought forth agitation for more rigid limitations in some states. On the other hand, many are inclined to agree with the writer who concluded that

Since the severest forms of property tax limitations were introduced during and because of depression, the original reasons for setting a ceiling to property tax rates no longer exist. Where other taxes have been developed to take the place of the property tax, however, the decline in the relative role of the latter is probably permanent. Even so, it would be desirable to <u>remove the limitation</u>. More revenues may be needed in the future, and it may be necessary to exploit further the potentialities of the property tax.¹⁸

Nonetheless, in some cases further exploitation of property taxation seems politically infeasible.¹⁹

¹⁷Harold M. Groves, <u>Financing Government</u> (Fourth edition; Henry Holt and Company, 1950), pp. 90-91.

¹⁸Kenyon E. Poole, <u>Public Finance and Economic Welfare</u>, (New York: Rinehart and Company, 1956), pp. 298-299. Italics mine.

¹⁹Recently, the decision of the selectmen in one New England community to raise real estate taxes was countered with a special meeting of the citizens, who voted to dismiss all five selectmen from their jobs. "Miscellany", Time, October 5, 1959, p. 15. In Michigan the over-all tax rate limitation has been applied. The first rate limitation was established as a part of the general tax reform measures of the early 1930's; however since that time the legal interpretation of the limitation has changed somewhat.

The Fifteen-Mill Limitation. In 1932 the Michigan constitution was amended to provide an over-all limitation to the tax rate which could be applied in the levy of general property taxes.²⁰ The amendment specified that the aggregate taxes levied against property shall not exceed 1.5 percent (15 mills) of the assessed valuation of the taxable property. Funds required for the servicing of previously incurred debt were excluded from the limitation. Furthermore, the amendment provided that the maximum rate could be increased to as much as 5 percent for a period not to exceed five years upon a two-thirds vote of the local electorate.

At the time the original amendment was ratified, it was generally believed that the 15-mill limitation applied to the total millage levy of all assessing districts. The Michigan Supreme Court ruled in 1933, however, that municipalities were not automatically included under the 15-mill limitation.²¹ Nonetheless, municipalities could, by choice, amend their charters to come under the 15-mill limit.

The public pressure for increased government spending in the 1940's, especially following World War II, led to an amendment of the 15-mill

²⁰Michigan, <u>Constitution</u>, Article X, section 21.

²¹School District of Pontiac v. <u>City of Pontiac</u>, 262 Michigan 338 (1933). limitation in 1948. As amended, the rate limitation can now be increased to as much as 50 mills for a period not to exceed twenty years by a simple majority vote of the local electorate. The legislature further provided in 1949 that no municipality may include a rate limitation in its charter which reduces the aggregate rate of other local governments to less than 15 mills.²² Hence, municipalities are no longer included under the 15-mill limitation. Today the 15-mills are generally divided among the county, the townships, and the school districts. The 15-mill limitation also applies to ad hoc local governments.²³ However, the limitation does not affect the levy of special assessments.²⁴ In addition, the 15-mill limitation may now be exceeded in the financing of certain school construction bonds.

<u>Municipal Tax Rate Limitations</u>. Cities and villages chartered under the "home-rule" section of the Michigan constitution have the option of including in their charters tax rate limitations of not more than 20 mills^{25,2} (If no limitation is included in the charter, a statutory limitation of 10 mills is imposed.) The tax limitation of a home-rule city may be increased to as much as 50 mills for a period not to exceed twenty years by a majority vote of the municipal electorate.

²²Michigan, <u>Compiled Laws</u> (1948), section 211.107a.

²³School District of Pontiac v. City of Pontiac, 262 Michigan 338 (1933).

²⁴Graham v. City of Saginaw, 317 Michigan 427 (1947).

²⁵Michigan, <u>Statutes Annotated</u>, section 5.2073.

²⁶In villages not chartered under the home-rule section, the rate limitation is 12.5 mills. See Michigan, <u>Compiled Laws</u> (1948), sec. 78.26.

Administration of the General Property Tax

Prior to the actual levy and collection of the general property tax there are three major steps in the valuation of property: (1) local assessment, (2) review of individual assessments, and (3) equalization of assessment valuations at both the county and state levels. We shall review the administrative procedures followed in these three steps and, in addition, examine rather closely the administrative functions of the state government which relate to the general property tax.

Local Assessment Procedures

<u>General Responsibilities</u>. In general, the assessment of property for the purpose of taxation is accomplished by the local units of government throughout the United States. In a majority of states property assessment is carried out on a county basis, but in a substantial number of states the townships, villages, and cities are the local assessment districts. A system of joint county and local government assessment is also employed in some states.²⁷

The local assessing officer is responsible for listing each parcel of taxable property and its assessed valuation on the local tax roll. In Michigan, as in most states, (all property assessments are required to be at true cash value). Barlowe noted in 1958, however, that five states call for assessment at some specified percentage less than cash

²⁷See Raleigh Barlowe, <u>Land Resource Economics</u>: <u>The Political</u> <u>Economy of Rural and Urban Land Resource Use</u> (Englewood Cliffs: Prentice-Hall, Inc., 1958), pp.553-554.

or market value and that three other states require the assessment of different classes of property at varying percentages of actual value.²⁸

In some states the local assessing officer is required to meet certain minimum requirements concerning training and experience in property appraisal. Quite often such requirements are prerequisites for appointment to the position of assessor. In other states, however, the office of assessor is an elective position which requires few, if any, special qualifications. There is no doubt that the qualifications of local assessing officers vary widely throughout the country.

Local Assessment in Michigan. In Michigan each township and city is a separate assessment district for the purpose of property taxation. Hence, there are nearly 1,500 assessing officers who are responsible for the assessment of taxable property in each of about 1,260 townships and 205 cities within the state. In addition, each village within the state also has an assessor who is responsible for the assessment of property within the village limit. However, the township assessor also assesses all property within the villages of his assessment district, and the assessments made by the township assessor are used in the levy of all but village taxes.

The task of property assessment in Michigan townships falls upon the duly elected township supervisor in each township. The regular term of the township supervisor is two years. Although the duties of the township assessing officer have been prescribed by law in some detail, there are no special qualifications necessary for election to the office of township supervisor.

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The complexity of the assessment process and the amount of taxable property vary widely among the individual townships. The assessment of property in some of the less populous northern townships requires only a fraction of the work necessary in the highly suburbanized townships adjacent to the larger cities of the state. In order to provide assistance to the township supervisors in districts where the assessment job has grown too large and complex for one individual, the legislature authorized, in 1957, the appointment of as many as two assessors to aid the township supervisor in the valuation of property.

Township supervisors can also receive assessment assistance from other sources. Each county board of supervisors has the authority to establish a department to assist in carrying out its duties as the county board of equalization.²⁹ This department may then assist the local assessing officers. Moreover, the State Tax Commission has general supervisory jurisdiction over all local assessing officers in the state. In this capacity the commission provides technical assistance to the local assessors and, in addition, distributes an <u>Assessor's</u> <u>Manual</u> to each assessor. This manual was first published in 1955 as a uniform guide which could be followed by all assessors.

The assessment of property in Michigan cities may be accomplished by either elected or appointed assessing officers. Municipalities are free to determine the qualifications and method of selection for the assessor positions. In 1957 the assessor was an appointed official in

²⁹Michigan, Public Act 30, 1956, section 34.

72 of 85 Michigan cities with populations of 5,000 or more.³⁰ The length of term varies for both elected and appointed municipal assessors.

Duties of the Local Assessor

The local assessing officer is responsible for the valuation of all taxable property within the local assessment district, with the exception of property which is assessed by the State Board of Assessors (public utilities) and the State Geologist (mining property). Constitutional and statutory provisions clearly instruct that all assessments be made at actual cash value. The legislature has further provided that "if any supervisor or other assessing officer of any township or city shall willfully assess any property at more or less than what he believes to be its <u>true cash value</u>, he shall be guilty of a misdemeanor."³¹ However, an assessing officer cannot be held liable for errors made in property valuation when exercising his best judgment.³²

All property, except for merchants' and manufacturers' inventories, is to be assessed on the basis of its valuation as of December 31.³³ Assessments of both farm and business personalty are computed from sworn inventory statements, which are submitted annually.

Review of Individual Assessments

Any Michigan property owner who is dissatisfied with the valuations placed upon his property by the local assessor has the right of appeal.

³⁰Pealy et al., loc. cit., p. 210.

³¹Michigan, <u>Compiled Laws</u> (1948), section 211.116. Italics mine. ³²Meade v. Haines, 81 Michigan 261 (1890).

³³Michigan, Public Act 201, 1958.

And, of course, assessment appeals may be based upon charges of irregular or fraudulent assessment as well as over-assessment. The review of individual assessments is carried on at both the local and state level.

Local Review. The first recourse open to the protesting property owner is an appeal to the local board of review. Each local assessment district has a board of review which considers all assessment appeals. In addition, the local review board has the responsibility of ascertaining the correctness of the local tax roll. Since the hearing of an appeal may be delayed in some cases, the appellant property owner is usually wise to pay his taxes under protest and then proceed with the appeal. It is important that the appeal be filed in the manner specified by law. The courts have ruled that failure to appeal an assessment is the equivalent of an admission that the assessment is correct, in the absence of fraud.³⁴

The legislature has specified that the township board of review shall be composed of the township supervisor and two tax-paying electors of the township.³⁵ The composition of municipal review boards is not uniform; however the local assessor is generally a member of the board.³⁶

<u>State Review</u>. After an assessment appeal has been acted upon by the local review board, the assessment may be further appealed to the State Tax Commission if the property owner so desires. The State Tax

³⁴<u>First National Bank</u> v. <u>St. Joseph,</u> 46 Michigan 526 (1881).

³⁵Michigan, <u>Compiled Laws</u> (1948), section 211.28.

³⁶For a most detailed discussion see Robert H. Pealy, <u>A Comparative</u> <u>Study of Property Tax Administration in Illinois and Michigan</u> (Michigan Governmental Studies, No. 33; Ann Arbor: Bureau of Government, Institute of Public Administration, University of Michigan, 1956), pp. 78-82.

Commission is the final source of redress open to property owners in most cases. The Michigan Supreme Court has ruled that the action of the commission is final and not subject to review by the courts except in the case of fraudulent assessment.³⁷

Equalization of Assessment Districts

Although the assessment of all property is to be made at true cash value, individual assessors differ in their opinion of what constitutes cash value. In actual practice, assessment valuations are usually far different from the current market values of approximately identical properties. Moreover, most local assessors readily admit that they do not attempt to assess at more than a fraction of current market values.

Since the actual percentage of current market values represented by the assessed valuations in each assessment district vary, it is necessary to adjust the assessed valuations of the local districts. Only in this way can the tax burden of governmental units which overlap several assessment districts be fairly distributed. This is the general purpose of the equalization process in which the assessed valuations of local assessment districts are adjusted so that the total valuations of every district represent the same proportion of current market values. In Michigan, equalization is effected, first, among the local assessment districts within each county and, second, among the counties.

³⁷<u>Twenty-Two Charlotte, Inc. v. Detroit</u>, 294 Michigan 275 (1940).

Equalization Among Local Assessment Districts. Within each county the county board of supervisors is directed by law to function as the county board of equalization and, hence, is responsible for adjusting the assessments of each local district to assure that all are "equally and uniformly assessed at true cash value."³⁸ The first step in equalization at the county level is to ascertain the average percentage of market value at which the property within each local district has been assessed. The county board of equalization then must adjust the total, locally assessed valuations of each district in such a way that the county equalized valuations for each district represent the same percentage of current market values.

In determining the average assessment levels for each local assessment district the county equalization board may rely upon the advice of a county equalization department. Wayne County has maintained a staff to aid in the equalization process for a number of years, and trained appraisal personnel are now employed in Genesee, Oakland and some other counties. However, in the majority of counties, which lack equalization staffs, the equalization board can obtain technical assistance from the State Tax Commission.

It is important to note that county equalization consists only of adjusting total assessment valuations and is not concerned with the adjustment of individual property valuations. Hence, the equalization process is not a substitute for the review of individual property assessments. As previously mentioned, equalization at the county level

³⁸Michigan, <u>Compiled Laws</u> (1948), section 211.34.

is necessary for the equitable distribution of the tax burden of overlapping governmental units. For example, the portion of county taxes assigned to each local assessment district is determined by the portion of the total county valuation which is derived from each district. And, although the law specifies that equalization is to be at true cash value, the percentage of current market value represented by the equalized valuations is unimportant insofar as the equitable distribution of local taxes is concerned. The local tax burden will be fairly distributed as long as all assessments are made at the same percentage of market value.

No doubt the county equalization process cannot be accurately accomplished without the adjustment of at least some of the total assessed valuations reported by the individual assessment districts; however the valuations determined by the local assessors are often accepted without change by the county board of equalization. In 1958, nineteen counties equalized at the assessed valuations of the local districts.³⁹

Equalization Among Counties. The legislature has provided that a state board of equalization shall be responsible for the determination of relative levels of assessment valuations in Michigan counties and shall establish state equalized valuations accordingly. The purpose of state equalization is to adjust the total, county equalized valuation of each county so that the state equalized valuations established for each county represent the same percentage of current market value. In

³⁹Michigan State Board of Equalization, <u>Proceedings: Session of</u> <u>1958</u> (Lansing, 1959), p. 6.

general the process of equalization at the state level is concerned only with the adjustment of total, county equalized valuations and not with the valuations of individual assessment districts within the counties. Hence, state equalization is not, in theory, a repetition of equalization among local districts, which is accomplished by the county equalization boards. In actual practice, however, the State Tax Commission has found it necessary to conduct detailed equalization studies within the various counties.

The state of Michigan does not levy a general property tax, but state equalization is important for several reasons: First, a portion of state school aid is distributed on the basis of state equalized valuations. Second, a number of important legal restrictions on property taxation, including rate limitations, are now computed on the basis of state equalized valuations. In 1944 the Michigan Supreme Court ruled that the tax rate limitations should be applied to the county equalized valuations.⁴⁰ Since county equalized valuations were generally higher than assessed valuations, this ruling expanded the general property tax base. The court further held, in 1954, that the term "assessed value" in the 15-mill limitation shall be the value as equalized by the State Board of Equalization and that the use of state equalized valuations in computing tax bills is necessary in all counties where school districts overlap county boundaries.⁴¹ In 1954 this ruling

⁴⁰St. Ignace Treasurer v. <u>Mackinac County Treasurer</u>, 310 Michigan 108 (1944).

⁴¹Pittsfield School District v. Washtenaw County Board of Supervisors, 341 Michigan 338 (1954).

affected sixty-seven of Michigan's eighty-three counties.⁴² The use of state equalized valuations provided a still greater expansion in the size of the tax base.

The State Tax Commission

The state administrative functions in connection with the general property tax rest primarily with three closely related state agencies: (1) the State Board of Equalization, (2) the State Board of Assessors, and (3) the State Tax Commission. The State Tax Commission is composed of three members, who also serve as members of the State Board of Assessors. In addition, the governor is an ex officio member of the assessing board. The State Tax Commissioners also fill three of the five positions on the State Board of Equalization. The remaining two positions are held by gubernatorial appointees subject to senate confirmation. Neither of the boards has a permanent staff, and both rely upon the State Tax Commission for the performance of administrative and field work.

<u>General Responsibilities</u>. The State Tax Commission has been given the following general responsibilities:

- 1. Supervisory jurisdiction over local assessing officers.
- 2. Consultation with assessing officers to provide assistance.
- 3. Adjudication of appeals from local assessed valuations of property, both real and personal.
- 4. Compile statistics of assessment and taxes levied for the State Tax Commission, the State Board of Equalization, and the State Board of Assessors.
- 5. The Commission furnishes to the State Board of Equalization each year its recommendation of equalized value for each county.

⁴²Pealy, <u>loc</u>. <u>cit</u>., p. 82.

- 6. As provided in Section 211.34 Compiled Laws of 1948, as amended, a member of a Board of Supervisors who objects to the county equalization report as adopted may register an appeal with the State Tax Commission.
- 7. A final order of County Tax Allocation Boards is subject to appeal to the State Tax Commission on the basis of a material mistake of fact, fraud or error of law.⁴³

In addition to the above duties, the State Tax Commission is also required to appraise certain state-owned conservation lands each year and is often called upon to make appraisals prior to the purchase or sale of real estate by the state.

According to the State Tax Commission, the bulk of its work consists of the appraisal of property, either because of individual assessment appeals or to ascertain the correct valuations of taxable property within townships and cities. The latter information is required both in the case of appeal from the report of a county board of equalization and in the determination of state equalized values which are to be recommended to the State Board of Equalization.

The State Board of Assessors. As noted previously, the State Board of Assessors is responsible for the assessment of the operating property of railroads, telephone and telegraph companies, union stations, pullman car leasing, and other railroad properties. These public utilities are exempt from the general property tax and are subject to a specific tax. The applicable tax rate is the average rate at which all other property throughout the state was taxed in the preceding year. The average rate is now computed on the basis of state equalized valuations.

⁴³Michigan State Tax Commission, <u>Thirtieth Report: 1957-1958</u> (Lansing, 1959), p. 5.

In practice the assessment of property subject to the average-rate tax is accomplished by the field staff of the State Tax Commission.

<u>The State Board of Equalization</u>. Each year the State Tax Commission recommends total equalized valuations for each county to the State Board of Equalization. After a hearing at which representatives of the counties may comment on the recommended state valuations, the equalization board determines the state equalized valuations. In both 1957 and 1958 the recommendations of the State Tax Commission were accepted without change.⁴⁴

Equalization Study Procedures

The State Tax Commission conducts detailed county equalization studies upon both appeals from the county equalization report and its own volition to gather information necessary in recommending state equalized valuations to the State Board of Equalization. Since the facilities of the commission are limited, the amount of equalization work which can be completed each year depends upon the number of individual assessment appeals received annually. The general increase in the number of assessment appeals over the past ten years has made it impossible for the State Tax Commission to achieve its goal of studying each county at five year intervals. Currently about six equalization studies are being completed each year.

<u>Property Classification</u>. The first step in the equalization study process is the classification of all taxable property. The State Tax

⁴⁴Michigan State Board of Equalization, <u>Proceedings</u>: <u>Session of</u> <u>1958</u> (Lansing, 1959).

Commission has developed a classification system whereby all real and personal property is listed under one of the classes given in TABLE 2-1. The property classes are, for the most part, self-descriptive.⁴⁵ All land with buildings is classified as improved property, and all land without buildings is classified as vacant property. Between 1948 and 1957 the State Tax Commission completed property classification in sixty-four of the state's eighty-three counties.⁴⁶

<u>Sample Appraisal Method</u>. The second step in the studies is the actual appraisal of individual parcels of property. The State Tax Commission uses the sample appraisal method in conducting equalization studies. According to the commission, "this method achieves the most satisfactory results."⁴⁷ The field staff of the commission completes detailed appraisals of 10 to 15 percent of the property in each assessment class.

The state appraised valuations of the sample properties in each class are compared to their respective locally assessed valuations. An assessment-appraisal value ratio is then computed for each property class within the local assessment district. This ratio expresses the local assessment valuation of the sample properties as a percentage of the state assessed valuations of the sample. The equalization study is

 $^{^{45}}$ A description of each major property class is included in the following chapter.

⁴⁶Pealy, <u>et al.</u>, <u>loc.</u> <u>cit.</u>, p. 207.

⁴⁷ Michigan State Tax Commission, Thirtieth Report: 1957-1958 (Lansing, 1959), p. 49.

Classes of Real Property							
(1)	Farm improved	(18)	Resort platted vacant				
(2)	Farm vacant	(19)	Business acreage improved				
(3)	Timber	(20)	Business acreage vacant				
(4)	Part timber	(21)	Business platted improved				
(5)	Cutover land	(22)	Business platted vacant				
(6)	Suburban acreage improved "B"	(23)	Industrial improved				
(7)	Suburban acreage improved	(24)	Industrial vacant				
(8)	Suburban acreage vacant	(25)	Utility improved				
(9)	Suburban platted improved	(26)	Utility vacant				
(10)	Suburban platted vacant	(27)	Mines				
(11)	Residential acreage improved	(28)	Mineral lands				
(12)	Residential acreage vacant	(29)	Quarries				
(13)	Residential platted improved	(30)	Fraternal				
(14)	Residential platted vacant	(31)	Private estates				
(15)	Resort acreage improved	(32)	Conservation Department lands				
(15)	Resort acreage vacant	(33)	Recreational				
(17)	Resort platted improved	,					

Classes of Personal Property

(1)	Business personal	(7)	Pipelin es
(2)	Industrial personal	(8)	Buildings on leased land
(3)	Utility personal	(9)	Boats
(4)	Oil wells and equipment	(10)	Signs
(5)	Gas wells and equipment	(11)	Farm personal
(6)	Oil or gas field equipment		-

Source: Michigan State Tax Commission, <u>Assessor's Manual</u> (Lansing, 1958), pp. 238-240.

completed by applying the assessment-appraisal value ratio of each property class to the total, locally assessed valuation of each class. The valuations thus derived are the State Tax Commission's estimates of "actual cash value."

<u>The Determination of Actual Cash Value</u>. The appraisal valuations placed on property by the State Tax Commission are often referred to as true, or actual, cash values. However, the commission does not purport to appraise at 100 percent of current market values. In an effort to gain more information about property values the commission collected a large number of actual sale records in the early 1940's. More than 60,000 property transfers, covering the period from 1939 to 1941, were examined by the commission, and more than 65 percent of the sales were verified by mail.⁴⁸ In studying the sales data the commission carefully screened out all forced sales and intra-family transfers. It also eliminated all sales "reflecting inflationary values."⁴⁹

In addition to the study of sales data, the commission also conducted field appraisals of certain classes of property which were inadequately represented in the sample of actual transfers. On the basis of both sales and appraisal data, assessment-sales value ratios were computed, by property class, for use in determination of state equalized valuations.⁵⁰

⁴⁸Michigan State Tax Commission, <u>Twenty-Fifth Report: 1947-1948</u> (Lansing, 1949), p. 11.

⁵⁰Cf. Pealy, <u>loc</u>. <u>cit</u>., pp. 102-103.

49_{Ibid}.

The State Tax Commission used the sales and appraisal data to compute a scale of "1941 true cash values." The commission continued to use the 1941 value scale through the war years in computing state equalized valuations so as to "prevent a repetition of the 1933 debacle on property valuations."⁵¹

In 1947 the state equalized on the basis of 80 percent of 1941 values. The percentage was increased to 90 percent in 1948 and 100 percent in 1949. By 1953 the state equalized valuations had risen to about 110 percent of 1941 values. As it became evident that real estate values would continue their upward movement, the commission finally abandoned the 1941 value scale. Using a 1955 scale of values, state equalization was effected at 47 percent in 1956 and 50 percent 1957. Today the state equalized valuations are approximately 50 percent of current market values.

⁵¹Michigan State Tax Commission, <u>Twenty-Fifth Report: 1947-1948</u> (Lansing, 1949), p. 28.

CHAPTER III

THE MEASUREMENT OF ASSESSMENT INEQUALITIES

Two major topics will be considered in the following chapter: (1) the methodology of the current study of variations in the assessment levels of different classes of property and (2) a review of past studies dealing with property tax assessment practices. Attention will also be focused on the limitations of the current study.

General Procedure

This study is primarily concerned with the measurement of variations in the property tax assessment levels of different classes of both real and personal property. Most of the data used in the analysis of assessment variations are derived from county equalization studies completed by the State Tax Commission during the past five years. As opposed to most assessment studies, the analysis is not based upon actual, or estimated, market transfer prices of property.

The Data

In the process of conducting county equalization studies the State Tax Commission has compiled a vast amount of useful information concerning local assessment valuations. The following analysis is based upon data provided by 21 county equalization studies which were completed and released by the State Tax Commission from January 1, 1955 to July 1, 1959. This sample includes all counties for which studies were completed between January 1, 1956 and July 1, 1959, inclusive, and two of the counties studied in 1955. The following information was obtained from the equalization studies: (1) a legal and physical description of the sample properties which were appraised by the field staff of the State Tax Commission within each assessment district, (2) the locally assessed and state appraised valuation of each property included in the sample, (3) the total locally assessed valuation of each class of property within the individual assessment districts, and (4) the total state equalized valuation of each property class, which was computed from the assessment-appraisal value ratio of the sample properties in each class. Since local assessment is accomplished at the township and city level, the above data were available for all property classes within each of the 320 townships and 53 cities included in the 21 counties studied.

The Counties Studied

The counties included in the following analysis are listed in TABLE 3-1. All of the counties, with the exception of Berrien, Ontonogan, and Genesee counties, were studied by the State Tax Commission upon its own volition. The other three counties were studied as a result of appeals from the actions of the county boards of equalization.

<u>Geographic Distribution</u>. The geographic distribution of the counties included in the study is shown in FIGURE 3-1. The distribution over both the lower and upper peninsulas of the state is fairly uniform with the exception of the northwestern portion of the lower peninsula. And the sample counties represent most of the important geographic areas of the state.



The counties selected for use in this study were chosen because they have recently been the object of State Tax Commission equalization studies. No attempt was made to select counties on the basis of location. There is no reason to believe that the geographic location of any county would significantly affect the assessment levels of different property classes.

<u>Property Tax Base</u>. The counties selected for study provide a good sample insofar as the relative sizes of their respective property tax bases are concerned. The total state equalized valuation of all taxable property in Wayne county far exceeds that of any other single county. In 1958 slightly less than 38.8 percent of the total state equalized valuation of the state was in Wayne county.¹ Only 17 other counties had state equalized valuations which amounted to as much as 1 percent of the total state equalized valuation.

Macomb county has the largest property tax base of the 21 counties studied (TABLE 3-1). The state equalized valuation in Macomb county was \$1,185.1 million in 1958. This was 5.35 percent of the state total. Keweenaw county, with a state equalized valuation of \$7.4 million, had the smallest tax base of the sample counties -- only 0.03 percent of the total state equalized valuation. The total state equalized valuation for all counties was \$22,154 million in 1958.² The 21 counties included in this study accounted for 23.16 percent of the total state valuation.

^IMichigan State Tax Commission, <u>Thirtieth Report: 1957-1958</u> (Lansing, 1959), p. 53.

²Ibid.

TABLE 3-1. General property tax base in 21 selected Michigan counties, 1958

County	Assessed Valuation	County Equalized Valuation	State Equalized Valuation	Percentage of Total State Valuation	Rank Among all Counties	
Macomb	577.9	592.6	1185.1	5.35	3	
Genesee	720.2	1106.3	1106.3	4.99	۷,	
Ingham	390.7	558.8	591.5	2.67	б	
Saginaw	273.4	413.0	516.2	2.33	8	
Berrien	186.3	401.2	402.2	1.82	11	
Ottawa	124.8	245.8	245.8	1.11	17	
Midland	151.6	199.3	199.3	0.90	19	
Allegan	79.6	90.0	140.1	0.63	20	
Shiawassee	57.2	90.0	128.3	0.58	21	
Van Buren	59.1	59.4	118.7	0.54	24	
Gratiot	51.6	93.4	93.4	0.42	28	
Eaton	61.2	6 5.9	84.4	0.38	31	
Barry	34.8	70.0	70.0	0.32	38	
Delta	62.4	64.2	64.2	0.29	41	
Menominee	37.1	37.4	51.2	0.23	47	
Emmet	30.8	43.2	43.2	0.19	53	
Ontonagon	13.7	31.8	31.8	0.14	60	
Ogenaw	14.6	18.1	26.3	0.12		
Luce	10.0	10.1	12.9	0.06	78	
Oscoda	5.2	11.7	11.9	0.05	7 9	
Keweenaw	5.9	7.3	7.4	0.03	82	
Totals ^a	2954.2	4933.4	5130.2	23.16		

(In millions of dollars)

^aDetails may not add to totals because of rounding.

Source: Michigan State Tax Commission, <u>Thirtieth Report: 1957-1958</u> (Lansing, 1959), pp. 52-53. It is important to note the differences between the total locally assessed valuations, the total county equalized valuations, and the total state equalized valuations for each county, as shown in TABLE 3-1. In 1958 the total assessed valuation for the sample counties was only 57.6 percent of the total state equalized valuation. However, the total county equalized valuation was 96.2 percent of the total state valuation.

Since the early 1930's the amount of personal property, in the state as a whole, has grown faster than the amount of real property.³ In 1915 personal property made up 19.7 percent of the total assessed value of all taxable property in the state. This percentage increased gradually to 22.5 percent in 1920. From 1920 to 1933 the proportion of personalty declined to a low of 15.8 percent in 1933. Since that time the percentage of personal property has increased steadily to a high of 31.1 percent in 1957.

The proportion of personal property valuation in the counties under study was 26.6 percent in 1957 (TABLE 3-2). This was somewhat lower than the state average of 31.1 percent. Only Genesee county, with 31.3 percent of its assessed valuation composed of personalty, had more personal property than the state average. However, the average state percentage is somewhat misleading because of the high proportion of personal property in the large Wayne county valuation. In 1957 personalty contributed 36.5 percent of the Wayne county assessed valuation.⁴

³Ibid., p. 66.

⁴Ibid., p. 88.

TABLE 3-2. Total assessed valuations of real and personal property in 21 selected Michigan counties, 1957

	Assessed	Realty as a	Assessed	Personalty as	Total
County	Valuation of Real Property	Percentage of Total	Valuation of Personal	a Percentage of Total	Assessed Valuation
		Valuation	Property	Valuation	
Macomb	397.5	71.3	159.7	28.7	557.2
Genesee	465.3	6 8.7	212.2	31.3	677.5
Ingham	257.7	70.4	108.1	29.6	365.8
Saginaw	200.0	74.6	68.1	25.4	268.1
Berrien	133.8	73.2	49.0	26.8	182.8
Ottawa	93.7	77.2	27. 6	22.8	121.3
Midland	113.6	81.6	25 .7	18.4	139.3
Allegan	63.3	80.9	15.0	19.1	78.3
Shiawassee	41.7	76.1	13.1	23.9	54.9
Van Buren	47.1	83.7	9.2	16.3	56.2
Gratiot	36.4	73.0	13.5	27.0	49.9
Eaton	51.9	87.2	7.6	12.8	59.5
Barry	27.8	81.7	6.2	18.3	34.1
Delta	28.3	77.9	8.0	22.1	36 .3
Menominee	26.6	72.9	9.9	2 7.1	36.5
Emnet	22.3	83.4	4.4	16.6	26.7
Ontonagon	12.8	92.4	1.0	7.6	13.8
Ogemaw	10.2	79.7	2.6	20.3	12.8
Luce	8.7	90.3	0.9	9.7	9.6
Oscoda	4.9	80.0	1.2	20.0	6.1
Keweenaw	3.8	86.7	0.6	13.3	4.4
Totals ^a	2047.5	73.4	743.8	26.6	2791.3

(In millions of dollars)

^aDetails may not add to totals because of rounding.

Source: Michigan State Tax Commission, <u>Thirtieth Report: 1957-1958</u> (Lansing, 1959). As shown in TABLE 3-2, the proportion of personal property in the sample counties ranged from a low of 7.6 percent in Ontonagon county to a high of 31.3 percent in Genesee county. Note that three of the five upper peninsula counties -- Ontonagon, Luce, and Keweenaw counties -- had extremely small amounts of personalty relative to the total assessed valuation of all property. In general the relative importance of personal property depends upon the population and the degree of industrialization within the county.

<u>Composition of the Tax Base</u>. The relative amounts of different types of property which comprise the total amounts of real and personal property within the sample counties vary a great deal. Obviously, the varying degrees of urbanization and industrialization are reflected in the composition of the tax base. Also, the geographic and climatic variations among the study counties and their effect upon agriculture, timber, and resort activities are important factors in determining the composition of the tax base. Moreover, the variations among townships are even greater than those among counties. This is partially due to the fact that the tax rolls of some townships include the property of village residents.

Classification of Townships

Prior to the analysis of assessment variations the 320 townships under study were classified as either rural, urban, or resort townships. In the absence of current information concerning township populations, the grouping was accomplished on the basis of the composition of the real property portion of the total township tax base as determined by

the State Tax Commission. The major classes of real property were first categorized as rural, urban, or resort property. The township classification was then determined according to the category which made up the largest percentage of the total realty valuation.

In classifying the townships, 16 specific property classes were grouped into the three general categories. The rural properties included the following: (1) farm improved, (2) farm vacant, (3) timber, (4) part timber, and (5) cutover lands. Seven property classes were included in the urban category: (1) residential improved, (2) residential vacant, (3) suburban acreage improved "B", (4) suburban acreage improved, (5) suburban acreage vacant, (6) suburban platted improved, and (7) suburban platted vacant real estate. The classes of resort property included the following: (1) resort acreage improved, (2) resort acreage vacant, (3) resort platted improved, and (4) resort platted vacant real estate. The classification of townships resulted in 209 rural townships, 74 urban townships, and 37 resort townships. TABLE 3-3 indicates the number of rural, urban, and resort townships in each county. All of the counties were represented in the rural township category; and, with the exception of Oscoda and Ogemaw counties, all were represented in the urban township category. However, only 13 of the 21 counties had townships in the resort township group, and seven of these 13 had only one resort township.

The Cities Studied

A total of 53 cities were included within the 21 counties under study (TABLE 3-3). Macomb county, which has nine cities, and Berrien

County	Number of Rural Twps.	Number of Urban Twps.	Number of Resort Twps.	Total Number of Twps.	Number of Cities 3	
Allegan	19	5	0	24		
Barry	9	1	6	16	1	
Berrien	14	7	1	2 2	7	
Delta	8	3	3	14	2	
Eaton	14	2	0	16	4	
Emmet	4	1	11	16	2	
Genesee	5	12	1	18	5	
Gratiot	16	1	0	17	2	
Ingham	13	3	0	16	4	
Keweenaw	3	2	0	5	0	
Luce	2	1	1	4	0	
Macomb	5	7	1	13	9	
Menominee	11	2	1	14	1	
Midland	10	6	0	16	2	
Ogemaw	10	0	4	14	2	
Ontonagon	9	1	1	11	0	
Oscoda	2	0	4	6	0	
Ottawa	10	6	1	17	3	
Saginaw	17	10	0	27	1	
Shiawassee	14	2	0	16	4	
Van Buren	14	2	2	18	1	
Totals	209	74	37	320	53	

TABLE	3-3	Number	of	rural,	urban,	and	reso	ort	townsh	nips	and
		number	of	cities	i n 21	seled	ted	Mic	higan	cour	nties

county, which has seven cities, made up about 30 percent of the sample. Four of the counties had no cities.

The cities included in the sample represent a wide range as to the sizes of their respective tax bases. In 1957 the city of Flint had the largest state equalized valuation of the sample -- \$639 million.⁵ Flint ranked second only to Detroit, which had a total valuation of \$5,096 million, among all Michigan cities. Second in importance among the sample cities was Lansing, with a valuation of \$329 million in 1957. Laingsburg, Olivet, and Rose City had the lowest valuations among the sample cities. The 1957 state equalized valuation of Rose City was only \$380,950. Seven of the cities studied had valuations in excess of \$200 million in 1957.

As is the case with townships, the composition of the property tax base in the study cities varies greatly. Some of the cities are primarily residential areas and have, therefore, only a small proportion of personal property in their total tax base. For example, in 1956 the city of St. Clair Shores, in Macomb county, had a state equalized valuation of \$144.4 million, but only 4.1 percent of this amount was comprised of personal property. The majority of the valuation, in this case, was composed of residential real estate. On the other hand, the city of Flint, in Genesee county, had a state equalized valuation of \$607.9 million in 1956, and personalty made up slightly more than one-third of that amount. The large amount of personalty in Flint was due to the importance of industry in the city. Industrial

⁵ <u>Ibid</u>., pp. 96-101. personal property alone contributed 24.7 percent of the total tax base and represented 73.4 percent of the total amount of personal property from all sources. These cases illustrate the extremes among the sample cities and are indicative of the diversity of the municipal property tax bases being considered.

The Measurement of Variations in Property Class Assessment Levels

The measurement of variations in the assessment levels of the various classes of real and personal property is based upon the data obtained by the State Tax Commission in its study of the sample counties. The assessment-appraisal value ratio for each class of property was available for every local assessment district studied. This ratio expresses the total locally assessed valuation of all property in a specified class as a percentage of the state appraised valuation of that property class. Thus an assessment-appraisal value ratio of 50 for improved residential property indicates that the locally assessed valuation of all improved residential property within the district was 50 percent of the total state appraisal valuation of the same property.

The assessment-appraisal value ratio for a specific class of property is an average for all parcels of property within that class. Variations among the assessment-appraisal ratios of different parcels within a single class are not evident when dealing with the ratio for the property class as a whole. And, as noted previously, the assessment-appraisal value ratios have been computed on a sample appraisal basis.

In addition to the assessment-appraisal value ratios for each property class, the equalization study data also revealed the <u>average</u> ratios for all real property and all personal property within each $y^{1/2}$ assessment district. The average assessment-appraisal value ratios were computed from the totals of the assessed valuations and the state appraised valuations of all real property, and of all personal property, within each local district. For example, the average assessment-appraisal value ratio for real property, within a specific district, expresses the total assessed valuation of all real property as a percentage of the state appraised valuation of all real property. The average assessment-appraisal value ratio of personal property was computed in the same manner.

Comparison of Assessment-Appraisal Value Ratios. Marked differences among the assessment-appraisal value ratios of the various property classes exist within each of the local assessment districts. The variations in the assessment levels of the different property classes are measured as the deviation of the assessment-appraisal value ratio of each class of property from the average assessmentappraisal value ratio for the district. In order to compare the deviations with those of other districts it is first necessary to convert all of the deviations to comparable bases. This is accomplished by multiplying the ratio for each property class by 100 over the average assessment-appraisal value ratio. These adjusted ratios are then comparable in terms of a 100 percent assessment.

In the case of the real property classes, the adjusted ratios for each class are computed by using the average assessment-appraisal

value ratio for all real property within the local districts. Similarly, the average ratios for all personal property are used to compute the adjusted ratios for the classes of personalty. All calculations are rounded to the nearest one-tenth of 1 percent.

It is apparent that an adjusted ratio of 100 indicates that the property class in question is assessed at the same proportion of the state appraised valuation as the average of all, say, real property. Hence, an adjusted ratio of more than 100 indicates that the class is overassessed relative to the average assessment level, and an adjusted ratio of less than 100 is indicative of under-assessment.

The Distribution of Adjusted Assessment-Appraisal Value Ratios. In the following chapter the distribution of the adjusted assessmentappraisal value ratios of specific property classes are considered as evidence of a tendency for local assessors to over-assess or underassess particular types of property. A symetrical distribution of adjusted ratios around 100 reveals a lack of uniformity among the treatment accorded a specific property class, but such a distribution provides no evidence of a general tendency toward over-assessment or under-assessment. On the other hand, a distribution centered around, say, an adjusted ratio greater than 100 indicates that the class of property being studied is, on the average, over-assessed.

In order to determine the distributions of the adjusted ratios, the ratios are grouped into class intervals of 10 percentage points. Whenever the adjusted ratio is exactly 100, the value of the observation is divided between the classes on either side of 100 percent. The median adjusted ratio for each property class is computed from the grouped data.
Property Classes Studied

In all, 20 different classes of real property and five classes of personal property are considered. These classes include all major classes of both realty and personalty in the 320 townships and 53 cities under study.

Real Property. The classes of real property are described below:

1.	Farm Improved	A parcel containing over 5 acres, used
		partially or wholly as farm land, with
		farm buildings.

- 2. Farm Vacant A parcel of over 5 acres used partially or wholly as farm land, without farm buildings.
- 3. Timber Lands, the major part of which are stocked with forest products of merchantable type and size.
- 4. Part Timber Lands, the major part of which were stocked with merchantable forest products that have been partially cut.
- 5. Cutover Land Cutover forest lands with little or no merchantable products, marsh lands or other barren waste land. Found mostly north of Townline 16.
- Suburban Acreage Land of the cutover type of over 5 acres
 Improved "B" and usually will be parcels of 20 acres or
 more and used as a homesite. Found mostly
 north of Townline 16.
- 7. Suburban Acreage A parcel of unplatted land of 5 acres or Improved less with a home or garage and located outside of an incorporated village or city.
- 8. Suburban Acreage A parcel of unplatted land of 5 acres or less zoned for homesites or most likely to be used as such and located outside of an incorporated village or city.
- 9. Suburban Platted A parcel of platted land, outside of an incorporated village or city, that has a house or garage on it.

- 10. Suburban Platted Any parcel of platted land, outside of an incorporated village or city, zoned for residential or most likely to be used for homesites.
- 11. Residential Improved Any parcel of platted or unplatted land, within the corporate limits of a village or city, of 5 acres or less, which has a house or garage on it.
- 12. Residential Vacant Any parcel of platted or unplatted land, within the corporate limits of a village or city, of 5 acres or less, which is zoned or most likely to be used for a homesite.
- 13. Resort Acreage A parcel of unplatted land on which is situated Improved living quarters or garage. Located in an area used predominantly for recreational purposes.
- 14. Resort Acreage
VacantA parcel of unplatted land in an area used
predominantly for recreational purposes.
- 15. Resort Platted A parcel of platted land on which is situa-Improved ted living quarters or garage. Located in an area used predominantly for recreational purposes.
- 16. Resort Platted A parcel of platted land that has no struc-Vacant ture on it. Located in an area used predominantly for recreational purposes.
- 17. Business Improved A parcel of platted or unplatted land which is used for commercial purposes (wholesale, retail, or service), with buildings.

18. Business Vacant A parcel of platted or unplatted land which is in an area zoned or most likely to be used for business purposes.

19. Industrial A parcel of land on which is situated buildings used for manufacturing and processing purposes, or land zoned or most likely to be used for manufacturing purposes.

20. Utility A parcel of land occupied by a utility type structure such as a generating plant, pumping stations, switches, substations, warehouses, or compressing stations; and parcels of land necessary to a utility company or right of way, flowage land, equipment storage areas, etc. <u>Personal Property</u>. The five classes of personal property are described below:

1.	Busines Personal	The inventories of merchandise, and the equipment and fixtures found on properties classified as business.
2.	Industrial Personal	The inventories of finished goods, goods in process of manufacture, raw materials, supplies, equipment, fixtures, etc. found om properties classified as industrial.
3.	Utility Personal	Gas and electric transmission and distri- bution systems, substation equipment, supplies, fuel oil, coal, parts, etc.
4.	Pip elines	Transmission lines of gas or oil trans- porting companies.
5.	Farm Personal	All livestock, equipment, and produce not specifically exempt by law.

Relative Importance of the Property Classes

As noted previously, the composition of the property tax base varies considerably among the local assessment districts, but some indication of the over-all importance of the different property classes can be obtained from the State Tax Commission equalization studies. Four of the 21 sample counties were selected for comparison of the township assessment district tax bases: (1) Eaton, (2) Emmet, (3) Genesee, and (4) Ontonagon counties. These counties are, in general, representative of the different types of county property tax bases found among the sample counties. The following comparisons are based upon the state appraisal valuations of the local tax bases.

<u>Real Property.</u> Eaton county is primarily an agricultural area, and nearly 50 percent of the total real property tax base is composed of farm improved real estate (TABLE 3-4). Among the 14 rural townships,

TABLE 3-4 Composition of the real property tax base, by property class, within township assessment districts in Eaton county

	14 Rural 2	Townships	2 Urban	Townships	Total al	l Townships
Property Class	Dollars	Percent	Dollars	Percent	Dollars	Percent
Res. I.	2,599	6.7	1,523	7.8	4,122	7.1
Res. V.	103	0.3	20	0.1	123	0.2
Bus. I.	1,769	4.6	925	4.7	2,695	4.6
Bus. V.	20	0.1	5 7	0.3	77	0.1
Farm I.	24,675	63.6	3,702	18.9	28,377	48.6
Farm V.	3,105	8.0	692	3.5	3,797	6.5
Industrial	538	1.4	170	0.9	707	1.2
Utility	33	0.1	5	(a)	38	0.1
Sub. Ac. I.	4,510	11.6	2,494	12.8	7,005	12.0
Sub. Ac. I. "B"						
Sub. Ac. V.	195	0.5	86	0.4	281	0.5
Sub. P. I.	791	2.0	8,899	45.5	9,690	16.6
Sub. P. V.	72	0.2	689	3.5	760	1.3
Resort Ac. I.	87	0.2			87	0.1
Resort Ac. V.	13	(a)			13	(a)
Resort P. I.	84	0.2			84	0.1
Resort P. V. Timber	13	(a)			13	(a)
Part Timber						
Cutover						
Other	184	0.5	294	1.5	479	0.8
Totals ^b	38,792	100.0	19,556	100.0	58,349	100.0

(In thousands of dollars)

^aLess than 0.05 percent.

^bDetails may not add to totals because of rounding.

farm improved real estate made up about 64 percent of the total valuation, while farm vacant real estate was only 8 percent of the total. Suburban acreage improved realty was the most important class of suburban property in the rural townships. In the two urban townships farm improved real estate contributed less than 20 percent of the total valuation, and the bulk of the suburban realty valuation was in the suburban platted improved class. Industrial and utility real estate were relatively unimportant in the county, and there were no timber, part timber, or cutover lands listed on the tax rolls. It should be noted, in all cases, that the vacant realty classes made up only a small portion of the total valuation.

In Emmet county, 11 of the 16 township assessment districts were classified as resort townships; therefore resort property contributed the largest share of the total valuation for the county (TABLE 3-5). Residential and suburban real estate were of lesser importance. However, industrial real estate valuations were more than 20 percent of the total. In the four rural townships farm improved real estate was nearly 52 percent of the total and farm vacant property about 11 percent. Again the relative size of the vacant class valuations should be noted.

Genesee county is highly urbanized in comparison to the other three counties, and approximately 50 percent of the total real property valuation within the county comes from suburban property (TABLE 3-6). Suburban platted improved real estate made up about 32 percent of the total valuation, and suburban acreage improved real estate valuations were about 14 percent of the total. Industrial realty contributed nearly 18 percent of the total valuation. In the four rural townships, farm improved real estate and farm vacant real estate valuations were about

TABLE 3-5 Composition of the real property tax base, by property class, within township districts in Emmet county

Property Class	4 Rural Twps.		1 Urba	n Twp.	11 Reso	rt Twps.	Total A	ll Twps.
	Dollars	Percent	Dollars	Percent	Dollars	Percent	Dollars	Percent
Res. I.			161	23. 7	359	1.9	520	2.5
Res. V.			4	0.6	44	0.2	48	0.2
Bus. I.	71	5.4	224	32.9	1,102	5.9	1,396	6.8
Bus. V.	1	(b)	1	0.2	9	0.1	11	0.1
Farm I.	682	51.6	73	10.8	2 ,147	11.6	2,902	14.1
Farm V.	148	11.2	36	5.2	267	1.4	451	2.2
Industrial					4,230	22.8	4,230	20.6
Utility	(a)	(b)	(a)	(b)	3	(b)	4	(b)
Sub. Ac. I.	34	2.6	55	8.1	763	4.1	852	4.1
Sub. Ac. I. "B"	45	3.4	17	2.5	522	2.8	584	2.8
Sub. Ac. V.	2	0.1	6	0.9	64	0.3	72	0.4
Sub. P. I.	14	1.1	55	8.0	347	1.9	415	2.0
Sub. P. V.	1	0.1	2	0.3	77	0.4	80	0.4
Resort Ac. I.	69	5.2	4	0.6	3,410	18.4	3,483	16.9
Resort Ac. V.	83	6.3			568	3.1	651	3.2
Resort P. I.					2,467	13.3	2,467	12.0
Resort P. V.	2	0.2			252	1.4	254	1.2
Timber								
Part Timber	18	1.3					18	0.1
Cutover	96	7.2	41	6.0	26 1	1.4	397	1.9
Other	57	4.3			1,682	9.1	1,739	8.5
Totals ^C	1,32 2	100.0	680	100.0	18,575	100.0	20,576	100.0

(In thousands of dollars)

aLess than \$500

^bLess than 0.05 percent

^CDetails may not add to totals because of rounding.

TABLE 3-6 Composition of the real property tax base, by property class, within township assessment districts in Genesee county

(In thousands of dollars)

Description Office a	5 Rura	1 Twps.	12 Urba	an Tups.	1 Resort Twp.		Total A	Total All Twps.	
Property Class	Dollars	Percent	Dollars	Percent	Dollars	Percent	Dollars	Percent	
Res. I.	782	4.2	10,602	5.1			11,384	5.0	
Res. V.	56	0.3	564	0.3			620	0.3	
Bus. I.	868	4.7	14,022	6.8	157	3.9	15,048	6.6	
Bus. V.	17	0.1	1,725	0.8			1,742	0.8	
Farm I.	8,803	47.5	19,714	9.6	1,184	29.5	29,700	13.0	
Farm V.	1,755	9.5	3,041	1.5	273	6.8	5,070	2.2	
Industrial	59	0.3	40,794	19.8	25	0.6	40,878	17.9	
Utility	15	0.1	507	0.2			522	0.2	
Sub. Ac. I.	3,435	18.6	28,565	13.8	153	3.8	32,153	14.0	
Sub. Ac. I."B"	•		•				-		
Sub. Ac. V.	138	0.7	1,941	0.9	9	0.2	2,088	0.9	
Sub. P. I.	2,214	12.0	71,590	34.7	64	1.6	73,868	32.3	
Sub. P. V.	266	1.4	7,040	3.4	31	0.8	7,338	3.2	
Resort Ac. I.	17	0.1	767	0.4	259	6.5	1,044	0.5	
Resort Ac. V.	1	(a)	156	0.1	23	0.6	181	0.1	
Resort P. I.			4,108	2.0	1,602	39.9	5,710	2.5	
Resort P. V.			635	0.3	215	5.4	850	0.4	
Timber									
Part Timber									
Cutover									
Other	91	0.5	625	0.3	17	0.4	733	0.3	
Totals ^b	18,516	100.0	206,397	100.00	4,013	100.0	22 8,926	100.0	

^aLess than 0.05 percent.

^bDetails may not add to totals because of rounding.

48 percent and 10 percent, respectively, of the total realty valuation. But, even in these townships, suburban property valuations were more than 30 percent of the total.

Ontonagon county is representative of the upper peninsula areas where a significant portion of the property tax base is composed of mining and timber property. Therefore, although nine of the 11 township assessment districts were classified as rural townships, they are not, primarily, agricultural areas. This is evident from the relatively small valuations in the farm real estate classes (TABLE 3-7). On the other hand, both timber and cutover lands accounted for more than 10 percent of the total county real estate valuation. In addition, most of the residual valuation, listed under "other" real estate, was made up of mining property valuations. Industrial real estate was relatively unimportant in the county, but utility real estate contributed more than 7 percent of the total valuation.

In summary, it is evident that the vacant real estate classes are much less important than the other classes in terms of total valuations. However, in the rural townships, where about 50 percent of the total valuation is composed of farm improved real estate, farm vacant real estate makes up approximately 10 percent of the total. This, of course, is not the case in the few rural townships where timber and cutover lands are significant. Most of the suburban realty valuation in the rural townships is found in the suburban acreage improved class, while suburban platted improved property accounts for the largest part of the suburban property valuation in urban townships. Both industrial and utility real estate are more important in the urban townships than in the rural

TABLE 3-7 Composition of the real property tax base, by property class, within township assessment districts in Ontonagon county

(In thousands of dollars)

Property Cleep	9 Rura	l Twps.	1 Urba	n Twp.	1 Reso	rt Twp.	Total A	ll Twps.
	Dollars	Percent	Dollars	Percent	Dollars	Percent	Dollars	Percent
Res. I.			1,794	42.8			1,794	10.9
Res. V.			120	2.9			120	0.7
Bus. I.	469	4.1	732	17.4	7 2	7.3	1,273	7.7
Bus. V.	10	0.1	2 2	0.5			32	0.2
Farm I.	1,575	13.9	249	5.9	11	1.1	1,835	11.1
Farm V.	191	1.7	64	1.5	1	0.1	256	1.6
Industrial	138	1.2	272	6.5	102	10.3	512	3.1
Utility	1,143	10.1	2 0	0.5	(b)	(a)	1,164	7.1
Sub. Ac. I.	324	2.9	103	2.5	67	6.7	494	3.0
Sub. Ac. I. "B"	190	1.7	127	3.0	9	0.9	3 26	2.0
Sub. Ac. V.	22	0.2	7	0.2	6	0.6	34	0.2
Sub. P. I.	684	6.1	61	1.5	148	14.9	894	5.4
Sub. P. V.	77	0.7	29	0.7	6	0.6	112	0.7
Resort Ac. I.	141	1.2	17	0.4	183	18.4	340	2.1
Resort Ac. V.	6 7	0.6	32	0.8	113	11.4	212	1.3
Resort P. I.	15	0.1	32	0.8	6	0.6	53	0.3
Resort P. V.	1	(a)	39	0.9	2	0.2	42	0.3
Timber	1,647	14.6	24	0.6	87	8.8	1,758	10.7
Part Timber	465	4.1	19	0.5			484	2.9
Cutover	1,574	13.9	415	9.9	9 6	9.7	2,085	12.6
Other	2,579	22.8	18	0.4	82	8.3	2,680	16.2
Totals ^C	11,311	100.0	4,197	100.0	992	100.0	16,500	100.0

^aLess than 0.05 percent.

^bLess than \$500.

^CDetails may not add to totals because of rounding.

townships. In all cases the relative importance of the different property classes varies considerably among the townships within each county.

The total valuations of the real property tax bases in the city assessment districts are made up largely of residential improved, business improved, and industrial real estate. In most of the cities, residential improved real estate accounts for the largest portion of the total realty valuation, followed by business improved realty and industrial property in that order. The vacant classes are much less important in terms of the total valuation.

Personal Property. The compositions of the personal property tax base within the township assessment districts of Eaton, Emmet, Genesee, and Ontonagon counties are given in TABLE 3-8. The composition of the real property tax base is clearly reflected by that of the personalty base. In Eaton county, which is mainly an agricultural area, farm personal property accounted for about 45 percent of the total personal property valuation. Industrial personalty made up less than 6 percent of the total. Emmet county is an important resort area, and the large amount of personalty valuation included under "other" personal property came chiefly from cottages on leased land, which are assessed as personal property. Industrial personalty valuation. And farm personalty was only 6 percent of the total.

Highly urbanized Genesee county derived more than 73 percent of its personalty valuation from the assessment of industrial personal property. Business personalty accounted for about 13 percent of the total and utility personalty about 6 percent. Farm personalty made up about 5

TABLE 3-8 Composition of the personal property tax base, by property class, within township assessment districts in four selected Michigan counties

	Eaton	County	Emmet	County	Genesee	County	Ontonagon	County
Property Class	Dollars	Percent	Dollars	Percent	Dollars	Percent	Dollars	Percent
Industrial	451	5.9	648	25.5	69,761	73.7	1,136	26.9
Business	1,374	18.1	2 2 0	8.7	12,062	12.7	1,011	23.9
Utility	2,229	29.3	348	13.7	5,810	6.1	869	20.6
Farm	3.387	44.5	152	6.0	4.839	5.1	1,114	26.4
Pipelines			259	110.2	376	0.4	•	
Other	164	2.2	910	35.9	1,877	2.0	92	2.2
Totals ^a	7,604	100.0	2 ,538	100.0	94,725	100.0	4,223	100.0

(In thousands of dollars)

^aDetails may not add to totals because of rounding.

percent of the total. In Ontonagon county the personalty valuation was divided among industrial, utility, business, and farm personalty in a fairly uniform manner. Only two of the four counties listed pipelines on their personalty tax rolls.

Among the city assessment districts there was little uniformity in the relative importance of the three major classes of personal property. In general, within each city either industrial or business personalty led in importance, followed by utility personal property. The relative importance of industrial and business personalty varied considerably among the districts.

Limitations of the Study

As is the usual case, there are certain limitations in the interpretation of the following analysis. These limitations are due to both the nature of the data employed and the methodological procedure described above. The current study is based, as previously noted, upon data obtained from State Tax Commission equalization studies. There was no attempt toward a random selection of Michigan assessment districts. Rather, the study includes all of the counties which have recently been the object of equalization studies. However, the large number of counties included in the sample and the relative size of the state property tax base represented lead to implications which are applicable to the entire state.

Variations Within Property Classes

Although the present study is not intended to deal with assessment variations within specific property classes, it should be remembered that such variations exist. Hence, an adjusted assessment-appraisal value ratio which is greater than 100 for a particular property class in a local assessment district does not preclude the possibility that some properties within the class may actually be under-assessed rather than over-assessed. An adjusted ratio of more than 100 only indicates that a specific property class is, on the average, over-assessed relative to the assessment levels of all other classes of property within the district.

Accuracy of State Appraisal Valuations

The validity of the analysis depends in a large part upon the accuracy of the data obtained from the State Tax Commission equalization studies. Since the Commission relies upon a sample appraisal method in conducting equalization studies, the accuracy of both the sampling technique and the appraisal valuations determined by the Commission should be considered.

Insofar as the sampling technique is concerned, there is no apparent reason to question the validity of using a random sample comprising a minimum of 10 percent of the property valuation in each class. Nonetheless, the sampling method employed by the Commission cannot be taken as a complete re-assessment of all property. The sampling method will result in assessment-appraisal value ratios which only approximate the true ratios.

The use of state appraised valuations as a standard for measuring the accuracy of local assessments is also open to question. The State Tax Commission does not attempt to appraise at current market values. However, equalization at full value is not a requisite of equitable taxation. The Commission has, in general, a staff with more professional experience and training in appraisal work than have the local assessment districts. In addition, the Commission staff presumably value all property in a uniform manner. Hence, state appraised valuations for any group of local assessment districts should represent a more nearly uniform percentage of current market values than the collective valuations of local assessors.

Related Studies

No doubt the history of property taxation is no more diverse than the studies dealing with its many facets. In general, studies of property taxation have dealt with one, or more, of three broad areas: (1) the relationship of assessed valuations to some other measure of value; (2) the relationship of the amount of property taxes paid to the productivity of the taxed property, or, more generally, to individual or firm income; and (3) the legal and administrative aspects of property taxation. The present study is primarily concerned with the first of these areas although it necessarily involves a discussion of legal and administrative aspects as well.

Assessment-Sales Value Ratio Studies

As noted earlier, actual sales data have served as the basis for the level of appraisal valuations used by the State Tax Commission in Michigan. A number of other states make much greater use of transfer prices in the determination of cash values than does Michigan. Actual sale prices have also been used quite extensively in the study of variations in assessment levels. The methodology of assessment-sales ratio studies is usually very similar to that of the current study. However, the use of sales data has several disadvantages.

Since the assessed valuation of any specific parcel of property may be either above or below the average assessment level of similar parcels, a technique involving a random sample of properties would presumably yield the most valid estimate of the average assessment level. However, assessment-sales ratio studies can be based only upon a sample chosen from among the properties which have been sold within a selected time period. Hence, a random sample of the properties is not possible. Since studies of this type usually purport to show only general tendencies, this objection is somewhat less important than others.

A second problem lies in the determination of valid sale prices. Federal revenue stamps, attached to deeds, have often been used in estimating the market value of property. The reliability of property value estimates derived from federal revenue stamps is discussed in most studies using this method.⁶ Even when the possible error associated with the use of federal revenue stamps is recognized, however, the bonafide sales still must be distinguished from abnormal sales. The extreme cases are easily identified, but the selection of a division point between bonafide and abnormal sales is completely arbitrary.

The use of sales data involves additional shortcomings when the researcher desires to study all property classes. Federal revenue stamps can be used only in estimating real estate values. Estimates of the current sales value of personalty are much more difficult to obtain. Also, some classes of property are seldom represented on the market. Thus, an adequate sample is difficult to obtain even with some classes of realty.

Although the disadvantages are important, assessment-sales ratio studies provide, on the whole, very useful information. The methodology

⁶See, for example, Raleigh Barlowe and Othmar A. Limberger, "Relationship of Tax Assessed Valuations to the Sales Values of Real Properties, Ingham County, Michigan, 1950-53," <u>Quarterly Bulletin</u>, Michigan Agricultural Experiment Station, Volume 39, No. 1 (August, 1956), pp. 143-162.

of the current study is similar to that employed in studies which rely upon sales values or privately appraised values; and it has, therefore, many of the same strengths and weaknesses. In relying upon State Tax Commission appraised valuations, the analysis of this study is, in effect, based upon appraisals which represent a selected percentage of current market values, as determined by the Commission. The use of state appraised valuations does, however, have the important advantage of providing a uniform sampling of all classes of both real and personal property.

Studies in Other States

Many of the early studies of property taxation were largely concerned with informing the public about the local tax structure. Considerable attention was also directed toward the property tax burden of farm owners in the 1920's and 1930's. A 1926 research report concluded, for example, that the Missouri farm tax problem had reached serious proportions.⁷ This report included a comparison of appraisalsale value ratios for rural and urban properties which indicated that farm property was generally over-assessed relative to urban real estate. In the same year a study of the farm tax situation in North Dakota was published.⁸

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⁷C. O. Brannen and S. D. Gromer, <u>Taxation of Farms in Missouri</u>, Missouri Agricultural Experiment Station, Research Bulletin 93, November, 1926.

⁸R. Wayne Newton and Alva H. Benton, <u>Some Tax Problems of North</u> <u>Dakota Farmers</u>, North Dakota Agricultural Experiment Station, Bulletin 203, October, 1926.

Brannen noted, in 1928, that Arkansas farms tended to be assessed at a higher proportion of earnings than other types of property and suggested that income be considered in the valuation of farm real estate.⁹ Weaver also found that farm real estate and mining properties were being assessed at a higher percentage of net income than other types of property in Pennsylvania.¹⁰ In addition, he found agricultural property to be over-assessed relative to urban property.

The early studies of property taxation dealt primarily with the situation of farm property owners. Later studies began to take a more comprehensive view of the property tax system. A 1939 study of assessment inequalities in Arkansas provided a rather systematic study of local assessment procedures.¹¹ The study found that low-valued real estate was consistently over-assessed relative to more valuable property. This proved true of both urban and farm property. Farm property was also found to be assessed at higher levels than residential property, and residential real estate was, in turn, assessed at higher levels than business property. The Arkansas study also attempted to measure the

⁹C. O. Brannen, <u>The Farm Tax Problem in Arkansas</u>, Arkansas Agricultural Experiment Station, Bulletin 223, February, 1928.

¹⁰F. P. Weaver, <u>The Rural Tax Problem in Pennsylvania</u>, <u>Pennsylvania</u> Agricultural Experiment Station, Bulletin 263, <u>March</u>, 1931.

¹¹Estal E. Sparlin, <u>Inequalities in the Arkansas Property Tax</u> <u>Assessment System</u>, Arkansas Agricultural Experiment Station, Bulletin 369, January, 1939.

quality of local assessments from the standard deviation of assessmentappraisal value ratios. However, this was accomplished on the basis of property classes and no effort was made to compare the quality of assessments among districts on the basis of total taxable property.

More recent research reports have confirmed the tendency of local assessors to over-value farm realty relative to other types of real property.¹² Moreover, the assessment bias favoring high-valued property was substantiated by a number of studies.¹³ Other studies have dealt largely with the general administration of general property taxes and the determination of the tax burdens of various social groups.¹⁴

Michigan Studies

The tax structure of the state of Michigan has been the object of numerous research studies. Although criticism is still being directed

¹³Taylor, <u>loc</u>. <u>cit</u>.; Armentrout and Haygood, <u>loc</u>. <u>cit</u>.; Taylor and Aull, <u>loc</u>. <u>cit</u>.; and Chryst and Miller, <u>loc</u>. <u>cit</u>.

¹²See, for example, C. C. Taylor, <u>Farm Real Estate Assessment in Georgia</u>, Georgia Agricultural Experiment Station, Bulletin N. S. 22, April, 1956; Walter E. Chryst and Frank Miller, <u>Assessment of Property for Tax Purposes in Missouri</u>, Missouri Agricultural Experiment Station, Research Bulletin 490, February, 1952; C. C. Taylor and G. H. Aull, <u>Assessment of Farm Real Estate for Tax Purposes in South Carolina</u>, South Carolina Agricultural Experiment Station, Bulletin 416, January, 1954; Robert O. Sinclair and E. H Loveland, <u>Property Tax Assessments in Vermont</u>, Vermont Agricultural Experiment Station, Bulletin 606, March 1958; W. W. Armentrout and Tyler F. Haygood, <u>Property Tax Assessment in West Virginia</u>, West Virginia Agricultural Experiment Station, Bulletin 358, March, 1953; and Arthur J. Walroth, "Equalization of Property Taxes in an Urban-Rural area," Land Economics, Volume XXXIII, No. 1 (February, 1957), pp. 47-54.

¹⁴See, for example, Harold G. Halcrow, <u>Impact of Property Taxation on</u> <u>Connecticut Agriculture</u>, Storrs Agricultural Experiment Station, Bulletin 321, February, 1956; Wilfred H. Pine, <u>Farm and City Real Estate Tax in</u> <u>Kansas</u>, Kansas Agricultural Experiment Station, Bulletin 382, September, 1956; John Thompson and Max Myers, <u>The South Dakota Farmer and His Taxes</u>, South Dakota Agricultural Experiment Station, Circular 128, May, 1956; and C. C. Taylor and G. H. Aull, <u>Property Tax Problems in the Southeast</u>, South Carolina Agricultural Experiment Station, Bulletin 414, January, 1954.

at the Michigan property tax system, recent studies have not protested as vigorously as did Newton and Hedrick in 1928. The following statements, from their conclusions regarding farm real estate assessment practices in Michigan, exemplify their vehemence:

In conclusion it may be said that the Michigan system of assessing and equalizing property for taxation, as established by law, is so complicated that it is hardly understandable, so impractical that officials charged with its administration have long since abandoned all attempts to enforce its features, and so unsuited to a modern society that nobody particularly cares to see it enforced.

The Michigan property tax is characterized by property descriptions that do not describe, assessors who do not assess, supervisory officials who do not supervise, equalizations which create inequalities, and a legal standard of values which is avowedly abandoned, being replaced by three substitute values, each different, and at least two of them frequently made by the same board of three men.¹⁵

The lengthy report by Newton and Hedrick was concerned primarily with the legal and administrative aspects of property taxation. They were less concerned with variations in assessment levels than with assessment errors due to negligence, omission of some property from the tax rolls, and the failure of local assessors to re-appraise property each year.

A later study by Cline in 1940 dealt with the general effect of taxation on Michigan farmers.¹⁶ This report included a detailed study of property tax trends in 200 agricultural townships. However, major attention was directed at changes in tax rates, the size of the township tax

¹⁵R. Wayne Newton and W. O. Hedrick, <u>Farm Real Estate Assessment</u> <u>Practices in Michigan</u>, Michigan Agricultural Experiment Station, Special Bulletin 172, February, 1928, p. 71.

¹⁶Denzel C. Cline, <u>Michigan Tax Trends as Related to Agriculture</u>, Michigan Agricultural Experiment Station, Special Bulletin 301, February, 1940.

bases, and the composition of the tax base. The relationship of farm taxes to the level of farm incomes was also emphasized.

Further attention was directed to the administration of property taxation in later studies. Dickerson, in 1944, studied the role of the state government in supervising local taxation. He found, as had Newton and Hedrick nearly 20 years before, that "it is freely admitted by assessors that most of the valuations are copied from the previous year's roll."¹⁷ Dickerson concluded, in part, that Michigan assessment districts are too small and too numerous. A more recent monograph on property tax administration was published in 1951.¹⁸

A detailed comparative study of property tax administration in Michigan and Illinois concluded that neither the Michigan nor the Illinois system provided equitable treatment of property owners under the existing tax laws.¹⁹ Two major reasons were given: First, there are too many local assessment districts within the states; and, second, local assessors do not use uniform assessment procedures.²⁰

A recent study of a selected group of above-average commercial farms revealed that property taxes in Michigan increased by 256 percent from 1939 to 1956 and that during the period 1948 to 1956 real estate taxes

²⁰Ibid., p. 113.

¹⁷Milton B. Dickerson, <u>State Supervision of Local Taxation and Finance</u> <u>in Michigan</u>, Michigan Agricultural Experiment Station, Special Bulletin 327, April, 1944, p. 20.

¹⁸Claude R. Tharp, <u>Property Tax Administration</u> (Michigan Pamphlet No. 22; Ann Arbor: Bureau of Government, Institute of Public Administration, University of Michigan, 1951).

¹⁹Robert H. Pealy, <u>A Comparative Study of Property Tax Administration</u> <u>in Illinois and Michigan</u> (Michigan Governmental Studies, No. 33; Ann Arbor: Bureau of Government, Institute of Public Administration, University of Michigan, 1956).

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increased more rapidly than land values.²¹ A more comprehensive study of property taxation, by Heneberry and Barlowe in 1958, was also concerned with the trends in tax rates, the assessment levels, and the relationship of farm real estate taxes to both land values and farm income.²² Comparisons between selected groups of rural and urbanized townships indicated that, while property taxes increased three-fold in agricultural townships during the period 1940 to 1955, urban township property taxes increased eleven-fold during the same period. Three reasons were given for the rapid increase in property taxes within urban townships: (1) the rise in the general price level, (2) the addition of new property to the tax roles, and (3) the increased demand for public services.²³

In 1956 an assessment-sales value study of Ingham county found wide variations in the assessment-sales value ratios both within and between assessment districts.²⁴ For example, the assessment-sales value ratios for the middle 50 percent of the sample properties ranged from a low of 10.5 in Meridian township to a high of 25.7 in Leslie township. The study also indicated that rural property was, on the

²¹Charles Beer and Raleigh Barlowe, "Impact of Property Taxes on Michigan Farmers, 1939-1956," <u>Quarterly Bulletin</u>, Michigan Agricultural Experiment Station, Volume 40, No. 1 (August, 1957), pp. 176-180.

²²William H. Heneberry and Raleigh Barlowe, <u>Property Tax Trends</u> <u>Affecting Michigan Farmers</u>, Michigan Agricultural Experiment Station, Special Bulletin 421, 1958.

²³<u>Ibid</u>., pp. 9-10.

²⁴Barlowe and Limberger, <u>loc</u>. <u>cit</u>.

average, over-assessed relative to the property in suburbanized and urbanized areas. However, variations in the assessment-sales value ratios of specific property classes were not examined.

An extensive study of the Michigan tax structure was compiled by the research staff for the 1958 Michigan Tax Study.²⁵ One chapter of the report was specifically concerned with the general property tax and several other sections are closely related to the subject of property taxation.²⁶ The chapter on the general property tax provides a rather complete summary of legal and administrative trends in property taxation. It also compares the Michigan property tax system with those of adjacent states and brings together the findings of several different research studies dealing with various phases of property taxation.

²⁵Michigan Tax Study: Staff Papers (Lansing, 1958).

²⁶See Robert H. Pealy, <u>et al.</u>, "The General Property Tax," <u>ibid.</u>, Chapter 5. Also see Raleigh Barlowe, "Impact of State and Local Taxes on Michigan Farmers," <u>ibid.</u>, Chapter 3.

CHAPTER IV

VARIATIONS IN ASSESSMENT-APPRAISAL VALUE RATIOS

Township Assessment Districts

Average Assessment-Appraisal Value Ratios

Although major attention will be directed to the variations in the assessment levels of different classes of property, the range of average assessment-appraisal value ratios among the assessment districts should be noted. Assessment at any percentage of current market values will result in the equitable treatment of property owners as long as all properties within each district are assessed at the same percentage and equalization among districts is accurately accomplished. As we shall see, however, there is a wide range of assessment-appraisal value ratios among the various property classes within each individual assessment district.

The State Tux Commission found that personal property was assessed, on the average, at a higher percentage of true cash value than was real property in 168 of the 320 townships included in this study. However, in a number of cases, the assessed valuations of certain classes of personal property were adjusted upward by the local assessors during the period in which the equalization studies were in progress; thus the average assessment-appraisal value ratios of personal property were artificially increased. When these increases are eliminated, real property was actually assessed at a higher percentage of cash value than was personalty in 196 of the 320 townships. This suggests a tendency for local assessors to under-value personal property relative to real property. On the basis of average county valuations, the State Tax Commission is reported to have found that personal property was under-assessed in 49 of 63 counties studied over the past 10 years.¹ The current study indicates that any tendency for local assessment officials to under-value personalty may be relatively less important now than in the past.

<u>All Property</u>. A general increase in the level of local assessment valuations² was evident from the median assessment-appraisal value ratios for all property in rural townships (TABLE 4-1). The median ratios for rural townships were 42 percent in 1955, 51 percent in 1956, 54 percent in 1957, and 61 percent in 1958.³ Since fewer townships

	No. of Twp s .	High est Ratio	Lowest Ratio	Range	Median Ratio	No. of Twps. more than 10 Percentage Points from Median
Rural Twps.						
1955 -	2 9	62.4	30.0	32.4	42.2	5
1956	70	101.8	30.2	71.6	51.0	19
1957	82	73.5	30.8	34.7	54.2	27
1958	28	77.3	40.3	37.0	60.6	8
Urban Twps.	- ,			57	5 (
1955-58	74	83.3	18.4	64 .9	43.9	21
Resort Twps.	, .				•	
1955-58	37	83.3	32.1	51. 2	53.9	18

TABLE 4-1Variations in average assessment-appraisal
value ratios, by township group, for all
property

¹Robert H. Pealy <u>et al.</u>, "The General Property Tax," <u>Michigan Tax</u> <u>Study: Staff Papers</u> (Lansing, 1958), p. 207.

²The terms "assessment level" and "assessment-appraisal value ratio" are used synonymously.

³The years given indicate the calendar year in which the study of the townships, by the State Tax Commission, was completed.

were included in the urban and resort groups, these townships were not listed by year of study. It should be noted, however, that the median assessment-appraisal value ratio for all urban townships was only 44 percent.

The difference between the highest and lowest assessment-appraisal value ratio for townships within each of the six groups shown in TABLE 4-1 was more than 30 percentage points in each case. In the rural township groups 59 of the 209 rural townships were assessed at average levels which were more than 10 percentage points from the median ratios. Among the 74 urban townships, 21 townships were assessed at more than 10 percentage points from the median ratio, and 18 of the 37 resort townships had ratios more than 10 percentage points from the median ratio for the group. It is apparent that a wide variation existed in the average assessment levels of the townships studied. The over-all range from 18 percent to 102 percent means that assessments in the highest township were five and one-half times those in the lowest townships.

<u>Real Property</u>. When only the real property valuations of the townships were considered, the variations in the average assessment-appraisal value ratios were similar to the variations of the ratios for all property. As shown in TABLE 4-2, the median assessment-appraisal value ratios for realty were higher than the median ratios for all property in four of the six township groups. It should be noted, however, that the lowest ratio, the highest ratio, and, hence, the range of assessment levels for real property were approximately the same as the corresponding values for all property. This was to be expected since real property comprised an extremely large proportion of the total property valuation in most of the townships.

	No. of Twps.	Highest Ratio	Lowest Ratio	Range	Median Ratio	No. of Twps. more than 10 Percentage Points from Median
Rural Twps.						
1955	29	67.0	3 2.2	34.8	46.6	6
1956	70	102.0	30.8	63.2	51.0	19
1957	82	72.6	29.0	43.6	54.6	24
1958	28	7 7.1	39.5	37.6	62.8	9
Urban Twps.					55	
1955-58	74	80.3	20.7	59.6	45.4	25
Resort Twps.						
1955-58	37	82 .3	32.1	50.2	50.4	20

TABLE 4-2 Variations in average assessment-appraisal value ratios, by township groups, for real property

<u>Personal Property</u>. The average assessment-appraisal value ratios of personal property revealed that there was greater variation among townships in the assessment of personalty than in the assessment of real property (TABLE 4-3). In the groups of rural townships studied in 1955

	No. of Twps.	Highest Ratio	Lowest Ratio	Range	Media n Ratio	No. of Twps. more than 10 Percentage Points from Median
Rural Twps.						
1955	2 9	103.6	6.2	97.4	24.3	9
1956	70	92 .3	24.5	67.8	52.8	2 3
1957	82	105.1	20.8	84.3	60.6	48
1958	28	81.5	9.2	72.3	51.8	10
Urban Twps.					(175	
1955-58	74	84 .7	7.8	76.9	40.5	42
Resort Twps.						
1955-58	37	86.2	14.0	72.2	69.0	30

TABLE 4-3 Variations in average assessment-appraisal value ratios, by township group, for personal property

and 1958, and in the group of urban townships, the lowest ratios for personalty were less than 10 percent. The bias introduced into the distribution of personalty ratios because of increases in the assessed valuation of personal property during the course of the equalization study was eliminated in determining the values given in TABLE 4-3. If this had not been done, the ranges of assessment-appraisal value ratios would have been somewhat larger. Further evidence of the greater variation of personal property ratios was given by the larger number of townships, in each group, which were assessed at more than 10 percentage points from the median ratios.

Variations in Real Property Assessment Levels

Data from 320 Michigan townships revealed significant variations in the average assessment-appraisal value ratios for different classes of real property. Although there was a wide variation within each class of property, certain property classes were, in a substantial majority of the cases, either over-assessed or under-assessed relative to other classes.

The following comparisons were based upon the adjusted assessmentappraisal value ratios of specified property classes. As previously noted, all ratios were converted to the equivalent of a 100 percent assessment for real property. Since all townships did not have property listed under each classification, the number of townships included in the comparison of individual property classes varied. Also, in the few cases in which the assessment-appraisal value ratio of a particular property class were estimated rather than determined by actual appraisals, the estimated ratios were excluded from the comparisons.

Farm Real Estate. All farm real estate, with the exception of timber and waste lands, is included as either a farm improved property or farm vacant property. The median adjusted assessment-appraisal value ratio for farm improved property was 98 percent for 314 townships (TABLE 4-4). Farm improved real estate was under-assessed in 56 percent of the townships.

TABLE 4-4Distributions of adjusted assessment-appraisal
value ratios of farm improved real estate in
314 townships

Adjusted Ratio	R ural Townships		U Tow	Urban Townships		esort M ships	All Townships	
	No.	Percent	No.	Percent	No.	Percent	No.	Percent
0 - 9.9								
10.0 - 19.9	1	0.5					1	0.3
20.0 - 29.9								
30.0 - 39.9								
40.0 - 49.9			1	1.4			1	0.3
50.0 - 59.9	1	0.5	2	2.8	1	2.9	4	1.3
60.0 - 69.9	5	2.4	1	1.4	4	11.4	10	3.2
70.0 - 79.9	10	4.8	2	2.8	3	8.6	15	4.7
80.0 - 89.9	21	10.1	11	15.3	3	8.6	35	11.1
90.0 - 99.9	92.5	44.7	13	18.1	6	17.1	111.5	35.5
100.1 - 110.0	57.5	27.8	12	16.7	4	11.4	73.5	2 3.4
110.1 - 120.0	13	6.3	19	26.4	6	17.1	38	12.1
120.1 - 130.0	4	1.9	4	5.6	2	5.7	10	3.2
130.1 - 140.0	1	0.5	1	1.4	2	5.7	4	1.3
140.1 - 150.0			2	2.8	2	5.7	4	1.3
150.1 - 160.0	1	0.5	3	4.2	1	2.9	5	1.6
160.1 - 170.0			1	1.4			1	0.3
170.1 - 180.0								
180.1 - 190.0					1	2.9	1	0.3
190.1 - 200.0								
Greater than 200.0								
Tot als^a	20 7	100.0	72	100.0	35	100.0	314	100.0
Median Ratios		97	1	05	10	01	98	;

^aDetails may not add to totals because of rounding.

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Since farm improved property made up a large proportion of the total valuation of all real property in most of the townships, the median ratio would not be expected to differ greatly from 100 percent, especially within the rural townships. When all townships were considered as a group, 59 percent of the townships were within the range of 90 to 110 percent.

The median ratios were 97 percent, 105 percent, and 101 percent for χ rural, urban, and resort townships, respectively. This lends some support to the hypothesis that farm improved real estate is under-assessed in rural townships and over-assessed in urban and resort townships. χ However, as in all of the comparisons, the distribution of the ratios should be noted. Although farm improved property was under-assessed in 63 percent of the rural townships, 72 percent of the adjusted ratios were within 10 percentage points of 100 percent. There was greater variation in the assessments made in the urban and resort townships.

Farm vacant property was over-valued by local assessors in most townships by a substantial amount (TABLE 4-5). The median adjusted assessment levels for rural, urban, and resort townships were 133 percent, 141 percent, and 133 percent, respectively. The median assessment level for all townships was 134 percent. Farm vacant real estate was overassessed in 92 percent of the townships; and, in only 13 percent of the cases did the adjusted ratios fall within 10 percentage points of the 100 percent level.

There was no apparent difference in the assessment of farm vacant property among the three groups of townships. The general over-assessment

Adjust	• d	R Tow	ural mships	U Tow	rb an mships	Re Tow	sort nships	All Townships		
Ratio		No.	Percent	No.	Percent	No.	Percent	No.	Percent	
0	- 9.9									
10.0	- 19.9	1	0.5					1	0.3	
20.0	- 29.9			1	1.4			1	0.3	
30.0	- 39.9							1	0.3	
40.0	- 49.9					1	3.1	1	0.3	
50.0	- 59.9									
60.0	- 69.9	1	0.5					1	0.3	
70.0	- 79.9	1	0.5	3	4.2	1	3.1	5	1.6	
80.0	- 89.9	1	0.5	3	4.2			4	1.3	
90.0	- 99.9	6	2.9	4	5.6	1	3.1	11	3.5	
100.1	- 110.0	22	10.6	4	5.6	4	12.5	30	9.7	
110.1	- 120.0	28	13.5	6	8.5	3	9.4	37	11.9	
120.1	- 130.0	37	17.9	11	15.5	5	15.6	53	17.1	
130.1	- 140.0	25	12.1	3	4.2	3	9.4	31	10.0	
140.1	- 150.0	31	15.0	7	9.9			38	12.3	
150.1	- 160.0	21	10.1	7	9.9			28	9.0	
160.1	- 170.0	10	4.8	6	8.5	3	9.4	19	6.1	
170.1	- 180.0	9	4.3	6	8.5	3	9.4	18	5.8	
180.1	- 190.0	4	1.9	2	2.8	2	6.2	8	2.6	
190.1	- 200.0	5	2.4	2	2 .8	4	12.5	11	3.5	
Greate	r than									
200	.0	5	2.4	6	8.5	2	6.2	13	4.2	
Totals	8	207	100.0	71	100.0	32	100.0	310	100.0	
Median	Ratios	1	.33		141	1	.33]	134	

TABLE 4-5 Distributions of adjusted assessment-appraisal value ratios of farm vacant real estate in 310 townships

^aDetails may not add to totals because of rounding

of farm vacant real estate was evident in all of the township groups and in all periods over the past five years.

A comparison of the over-all assessment levels of farm improved and farm vacant real estate is facilitated by FIGURE 4-1 and FIGURE 4-2. It is readily apparent that greater variation exists among the assessment levels of farm vacant property and that farm vacant property is, on the whole, greatly over-assessed.

Business Real Estate. Among 305 townships the median assessment level of business improved real estate was 92 percent (TABLE 4-6). For X all townships, this class of property was under-assessed in 64 percent of the districts. The range 90 to 110 percent contained only 32 percent of the observations.

Business improved realty was under-assessed, on the average, in all township groups. The median adjusted ratios were 91 percent in rural townships, 94 percent in urban townships, and 93 percent in resort townships. In the urban township group 41 percent of the observations were within 10 percentage points of the 100 percent level. Assessments were less uniform among the other districts.

Business vacant real estate was, in general, under-assessed even more than improved business property. The median assessment level of business vacant realty was 86 percent for 142 townships (TABLE 4-6). Omitted from the sample were 23 townships in which the assessment-appraisal value ratios were derived from estimates rather than actual appraisals. There was little difference in the treatment given to business vacant realty among the township groups.

The range of assessment levels was somewhat larger for business vacant property than for business improved property (FIGURE 4-3 and FIGURE 4-4). In the case of vacant business realty only 15 percent of the observations were within 10 percentage points of the 100 percent assessment level. However, business vacant property was undergassessed in only 62 percent of the townships as compared to 64 percent for







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TABLE 4-6	Distributions of adjusted assessment appraisal value ratios of business improved real estate				
	in 305 townships and business vacant real estate				
	in 142 townships				

	Business Improved Real Estate All Townships		Business Vacant Real Estate All Townships	
Adjusted Ratio				
	No.	Percent	No.	Percent
0 - 9.9	2	0.7	1	0.7
10.0 - 19.9	-	•••	3	2.1
20.0 - 29.9			5	3.5
30.0 - 39.9	2	0.7	6	4.2
40.0 - 49.9	6	2.0	8 8	5.6
50.0 - 59.9	13	4.3	14	9.9
60.0 - 69.9	28	9.2	14	9.9
70.0 - 79.9	50	16.4	16	11.3
80.0 - 89.9	39	12.8	7	4.9
90.0 - 99.9	56	18.4	14	9.9
100.1 - 110.0	43	14.1	7	4.9
110.1 - 120.0	28	9.2	10	7.0
120.1 - 130.0	9	3.0	7	4.9
130.1 - 140.0	10	3.3	5	3.5
140.1 - 150.0	8	2.6	4	2.8
150.1 - 160.0	3	1.0	2	1.4
160.1 - 170.0	3	1.0	3	2.1
170.1 - 180.0	2	0.7	1	0.7
180.1 - 190.0	1	0.3	1	0.7
190.1 - 200.0	1	0.3	2	1.4
Greater than 200.0	1	0.3	12	8.4
Totals ^a	305	100.0	142	100.0
Median Ratios	92		ł	86

^aDetails may not add to totals because of rounding.

business improved property. As evident in a comparison of FIGURES 4-3 and 4-4, improved business realty was more uniformly assessed than was vacant business property.

Industrial Real Estate. The median adjusted assessment-appraisal value ratio of industrial real estate was 96 percent among 183 townships \checkmark
(TABLE 4-7). This class of realty was under-assessed in 55 percent of the districts. However, the median ratios were 92 percent, 100 percent, and 103 percent for rural, urban, and resort townships, respectively. Thus, under-assessment prevailed in only the rural township group.

Adjusted Ratio	Industria All T	l Real Estate Cownships	Utility Real Estate All Townships			
	<u>No.</u>	Percent	No.	Percent		
0 - 9.9	2	1.1	1	0.6		
10.0 - 19.9	1	0.5				
20.0 - 29.9	5	2.7	4	2.5		
30.0 - 39.9	2	1.1	9	5.6		
40.0 - 49.9	8	4.4	5	3.1		
50.0 - 59.9	15	8.2	5	3.1		
60.0 - 69.9	12	6.6	7	4.3		
70.0 - 79.9	14	7.7	6	3.7		
80.0 - 89.9	22	12.0	8	5.0		
90.0 - 99.9	19	10.4	9	5.6		
100.1 - 110.0	19	10.4	9	5.6		
110.1 - 120.0	23	12.6	9	5.6		
120.1 - 130.0	6	3.3	10	6.2		
130.1 - 140.0	6	3.3	4	2.5		
140.1 - 150.0	10	5.5	7	4.3		
150.1 - 160.0	6	3.3	3	1.9		
160.1 - 170.0	3	1.6	2	1.2		
170.1 - 180.0	2	1.1	3	1.9		
180.1 - 190.0	1	0.5	7	4.3		
190.1 - 200.0			5	3.1		
Greater than 200.0	7	3.8	48	2 9.8		
Totals ^a	183	100.0	161	100.0		
Median Ratios		96	1	29		

TABLE 4-7 Distributions of adjusted assessment-appraisal value ratios of industrial real estate in 183 townships and utility real estate in 161 townships









Among all townships, industrial real estate was assessed in the range 90 to 110 percent in 21 percent of the districts (FIGURE 4-5). On the whole, industrial property was assessed at a wide range of values.

Utility Real Estate. Among 161 townships, the median assessment level of utility real estate was 129 percent (TABLE 4-7). Utility X property was over-assessed in 66 percent of the local districts; and, in 30 percent of the townships, utility real estate was assessed at more than 200 percent of the average assessment levels. Only 11 percent of the observations were within 10 percentage points of the 100 percent level.

The median assessment levels were 129 percent for rural townships, 120 percent for urban townships, and 145 percent for resort townships. For all township groups the data indicated a tendency of local assessors to over-value utility property. However, there was a wide variation in the adjusted assessment-appraisal value ratios (FIGURE 4-6). Moreover, substations were excluded from the utility class because the data revealed that this particular type of property was, in numerous instances, assessed at many times its actual cash value.

As noted above, utility real estate was assessed at more than 200 percent in 30 percent of the townships. In general, these extreme cases extended, fairly uniformly, over a large range. But in most instances the total valuation included was small.

<u>Residential Real Estate</u>. The median assessment-appraisal value ratio of residential improved real estate, adjusted to the equivalent



Distribution of adjusted assessment-appraisal value ratios of Industrial Real Estate in 183 Townships



of a 100 percent assessment, was 95 percent (TABLE 4-8). This class of property was under-valued by local assessors in 64 percent of 81 townships. Assessments in this class were, on the whole, very uniform. The range from 90 to 110 percent contained 46 percent of the observations. In addition, the distributions of adjusted assessment levels were very similar for the three groups of townships.

TABLE 4-8Distributions of adjusted assessment-appraisal
value ratios of residential improved real estate
in 81 townships and residential vacant real estate
in 76 townships

Adjusted Ratio	Residential Es All To	Improved Real state wnships	Residential Vacant Real Estate All Townships			
	No.	Percent	No.	Percent		
0 - 9.9						
10.0 - 19.9						
20.0 - 29.9						
30.0 - 39.9						
40.0 - 49.9			2	2.6		
50.0 - 59.9	1	1.2	1	1.3		
60.0 - 69.9	3	3.7	2	2.6		
70.0 - 79.9	7	8.6	6	7.9		
80.0 - 89.9	19	23.5	14	18.4		
90.0 - 99.9	21.5	26.5	10.5	13.8		
100.1 - 110.0	15.5	19.1	5.5	7.2		
110.1 - 120.0	8	9.9	8	10.5		
120.1 - 130.0	4	4.9	7	9.2		
130.1 - 140.0	1	1.2	5	6.6		
140.1 - 15 0.0	1	1.2	7	9.2		
150.1 - 160.0			1	1.3		
160.1 - 170.0			3	3.9		
170.1 - 180.0						
180.1 - 190.0			1	1.3		
190.1 - 200.0						
Greater than 200.0)		3	3.9		
Totals ^a	81	100.0	76	100.0		
Median Ratios	95	i	10	5		

Among 76 townships, the median adjusted assessment level of residential vacant real estate was 105 percent (TABLE 4-8). Over-assessment existed in 53 percent of the local assessment districts. However, the median assessment level in 26 urban townships was 96 percent, and the median in 47 rural townships was 107 percent. Hence, on the average, local assessors had over-valued residential vacant real estate within the villages of predominately rural areas and under-valued the same property class in the urban townships.

A comparison of the distributions of assessment levels of residential improved and residential vacant real estate revealed that residential vacant property was, in the main, assessed at a somewhat higher level than improved residential real estate (FIGURE 4-7 and FIGURE 4-8). But, as noted above, this difference rested in the assessments within the rural townships. The median assessment levels for both classes were 96 percent in the urban townships. In the rural townships there was a difference of 12 percentage points between the median adjusted ratios of the two property classes.

Suburban Real Estate. Suburban acreage improved real estate was under-assessed in 83 percent of 314 townships (TABLE 4-9). The median assessment level was 85 percent for all townships, and 32 percent of the districts were within 10 percentage points of the 100 percent assessment level. Among the township groups, the median adjusted ratios were 83 percent in the rural townships, 89 percent in the urban townships, and 84 percent in the resort townships.

Suburban acreage vacant property was, on the other hand, generally over-valued by the local assessors. This property class was over-assessed









		Ru Town	Rural Townships		Urban Townships		Resort Townships		All Townships	
Adjusted	Ratio	No.	Percent	No.	Percent	No.	Percent	No.	Percent	
0 -	9.9	1	0.5					1	0.3	
10.0 -	19.9									
20.0 -	29.9	1	0.5					1	0.3	
30.0 -	39.9					1	2.9	ī	0.3	
40.0 -	49.9	3	1.5			1	2.9	4	1.3	
50.0 -	59.9	14	6.8	3	4.1	4	11.4	21	6.7	
60.0 -	69.9	29	14.1	1	1.4	4	11.4	34	10.8	
70.0 -	79.9	40	19.4	14	19.2	6	17.1	60	19.1	
80.0 -	89.9	45	21.8	21	28.8	4	11.4	70	22.3	
90.0 -	99.9	42.5	20.6	20	27.4	7	20.0	69.5	22.1	
100.1 -	110.1	14.5	7.0	11	15.1	5	14.3	30.5	9.7	
110.1 -	120.0	6	2.9	2	2.7	1	2.9	9	2.9	
120.1 -	130.0	5	2.4			1	2.9	6	1.9	
130.1 -	140.0			1	1.4	1	2.9	2	0.6	
140.1 -	150.0									
150.1 -	160.0	3	1.5					3	1.0	
160.1 -	170.0	1	0.5					1	0.3	
170.1 -	180.0	1	0.5					1	0.3	
180.1 -	190.0	-						-		
190.1 -	200.0									
Greater	than 20	0.0								
Totals ^a		206	100.0	73	100.0	35	100.0	314	100.0	
Median R	atios	8	33	8	39	8	4	8	5	

TABLE 4-9 Distributions of adjusted assessment-appraisal value ratios of suburban acreage improved real estate in 314 townships

^aDetails may not add to totals because of rounding.

in 64 percent of the townships, and the median assessment level was 121 percent (TABLE 4-10). However, over-assessment prevailed in only the rural and resort townships. The median adjusted assessment-appraisal value ratios were 126 percent in the rural townships, 97 percent in the urban townships, and 147 percent in the resort townships. Assessments were fairly uniform in the urban townships, and the median assessment level was only 3 percentage points below the 100 percent level.

		R To	Rural Townships		Urban Townships		Resort Townships		All Townships	
Adjusted	Ratio	No.	Percent	No.	Percent	No.	Percent	No.	Percent	
0 -	9.9	1	0.5					1	0.3	
10.0 -	19.9									
20.0 -	29.9	2	1.0					2	0.7	
30.0 -	39.9	2	1.0					2	0.7	
40.0 -	49.9			3	4.2			3	1.0	
50.0 -	59.9	11	5.6	3	4.2	1	3.1	15	5.0	
60.0 -	69.9	9	4.6	6	8.3			15	5.0	
70.0 -	79.9	5	2.6	8	11.1	2	6.2	15	5.0	
80.0 -	89.9	19	9.7	10	13.9	2	6.2	31	10.3	
90.0 -	99.9	14	7.1	9	12.5			2 3	7.7	
100.1 - 1	10.0	13	6.6	7	9.7	2	6.2	22	7.3	
110.1 - 1	20.0	13	6.6	5	6.9	1	3.1	19	6.3	
120.1 - 1	30.0	16	8.2	6	8.3	5	15.6	27	9.0	
130.1 - 1	40.0	10	5.1	5	6.9	1	3.1	16	5.3	
140.1 - 1	50.0	6	3.1			3	9.4	9	3.0	
150.1 - 1	60.0	8	4.1	2	2.8	3	9.4	13	4.3	
160.1 - 1	70.0	9	4.6	3	4.2			12	4.0	
170.1 - 1	80.0	9	4.6	2	2.8	3	9.4	14	4.7	
180.1 - 1	90.0	6	3.1	1	1.4	2	6.3	9	3.0	
190.1 - 2	00.0	6	3.1	2	2.8	1	3.1	9	3.0	
Greater t	han									
200	.0	37	18.9			6	18.8	43	14.3	
Totals ^a		196	100.0	72	100.0	3 2	100.0	300	100.0	
Median Ra	tios	1	.26	ç	97		147		121	

TABLE 4-10 Distributions of adjusted assessment-appraisal value ratios of suburban acreage vacant real estate in 300 townships

^aDetails may not add to totals because of rounding.

The contrast between the assessment of suburban acreage improved property and suburban acreage vacant property is evident in the comparison of FIGURE 4-9 and FIGURE 4-10. As noted, improved real estate in this class was generally under-valued by local assessors while vacant property was over-valued. But it is important to note that this was not true of the urban townships.





Among 202 townships, suburban platted improved real estate was underassessed in 73 percent of the districts (TABLE 4-11). The median assessment level was 90 percent. The median assessment levels in the rural, urban, and resort township groups were 88 percent, 92 percent, and 100 percent, respectively. All of the observations were within the range from 30 to 170 percent, and 32 percent of the observations were within 10 percentage points of the 100 percent level.

TABLE 4-11	Distributions of adjusted assessment-appraisal
	value ratios of suburban platted improved real
	estate in 202 townships

	Rural Townshine		Urban Townshine		Re	sort	All Townships		
Adjusted	Ratio	No.	Percent	No.	Percent	No.	Percent	No.	Percent
	0 0								
10.0 -	19.9								
20.0 -	29 9								
30.0 -	39.9	2	1.7					2	1.0
40.0 -	49.9	5	4.2	1	1.6	7	4.5	7	3.5
50.0 -	59.9	4	3.4	-	1.0	-	412	4	2.0
60.0 -	69.9	10	8.4	5	8.2	2	9.1	17	8.4
70.0 -	79.9	16	13.4	9	14.8	2	9.1	27	13.4
80.0 -	89.9	30	25.2	12	19.7	3	13.6	 45	22.3
90.0 -	99.9	21	17.6	20.5	33.6	3	13.6	44.5	22.0
100.1 - 1	110.0	11	9.2	7.5	12.3	2	9.1	20.5	10.1
110.1 - 1	120.0	7	5.9	6	9.8	3	13.6	16	7.9
120.1 - 1	130.0	5	4.2	-		3	13.6	8	4.0
130.1 - 1	140.0	5	4.2			2	9.1	7	3.5
140.1 - 1	150.0	1	0.8			-		i	0.5
150.1 - 1	160.0	1	0.8					ī	0.5
160.1 - 1	L70.0	1	0.8			1	4.5	2	1.0
170.1 - 1	L80.0								
180.1 - 1	190.0								
190.1 - 2	200.0								
Greater t	th a n 200	0.0							
Totals ^a		119	100.0	61	100.0	2 2	100.0	20 2	100.0
Median Ra	atios	8	8	92	2	1	00	90	0

Suburban platted vacant real estate was under-assessed in 53 percent of the 197 townships (TABLE 4-12). The median assessment levels were 105 percent in the rural townships, 80 percent in the urban townships, and 155 percent in the resort townships. It is important to note the similarities between these medians and the medians for suburban acreage vacant real estate.

TABLE 4-12 Distributions of adjusted assessment-appraisal value ratios of suburban platted vacant real estate in 197 townships

		r Tow	ural mships	U Tow	Urban Townships		sort nships	All Townships	
Adjusted	Ratio	No.	Percent	No.	Percent	No.	Percent	No.	Percent
0 -	9.9								
10.0 -	19.9								
20.0 -	29.9	2	1.7					2	1.0
30.0 -	39.9	6	5.2					6	3.0
40.0 -	49.9	3	2.6	3	5.0	1	4.7	7	3.6
50.0 -	59.9	9	7.8	6	10.0			15	7.6
60.0 -	69.9	9	7.8	9	15.0			18	9.1
70.0 -	79.9	10	8.6	12	20.0	2	9.5	24	12.2
80.0 -	89.9	6	5.2	7	11.7	3	14.3	16	8.1
90.0 -	99.9	9	7.8	8	13.3			17	8.6
100.1 - 1	10.0	8	6.9	1	1.7			9	4.6
110.1 - 1	20.0	4	3.4	3	5.0	1	4.7	8	4.1
120.1 - 1	30.0	4	3.4	5	8.3	1	4.7	10	5.1
130.1 - 14	40.0	7	6.0	3	5.0	1	4.7	11	5.6
140.1 - 1	50.0	4	3.4	1	1.7	1	4.7	6	3.0
150.1 - 1	60.0	4	3.4			1	4.7	5	2.5
160.1 - 1	70.0	6	5.2			1	4.7	7	3.6
170.1 - 1	80.0	3	2.6			1	4.7	4	2.0
180.1 - 1	90.0	1	0.9			1	4.7	2	1.0
190.1 - 2	00.0	2	1.7	1	1.7	1	4.7	4	2.0
Greater th	han								
200.0		19	16.4	1	1.7	6	28.6	26	13.2
Totals ^a		116	100. 0	60	100.0	21	100.0	197	100.0
Median Ra	tios		105		80	1	55	9	6

The distributions of the assessment levels of suburban platted improved and suburban platted vacant property are presented graphically in FIGURES 4-11 and 4-12. As expected, improved property was again more uniformly assessed than the vacant property class.

The final class of suburban real estate was suburban acreage improved "B". For the 107 townships the median assessment level of this class was 94 percent, and under-assessment occurred in 63 percent of the townships (TABLE 4-13). The median assessment levels for rural, urban, and resort townships were 93 percent, 94 percent, and 95 percent respectively.

TABLE 4-13 Distributions of adjusted assessment-appraisal value ratios of suburban acreage improved "B" real estate in 107 townships

		Ru	Rural Tormahing		Urban		lesort	All Toursching	
Adjusted	Ratio	NO.	Percent	NO.	Percent	NO.	Dercent	No.	Percent
	100.020		. or out		10100		1 CI COLL		1010000
0 -	9.9								
10.0 -	19.9								
20.0 -	29.9								
30.0 -	39.9								
40.0 -	49.9	2	3.3			2	8.0	4	3.7
50.0 -	59.9	3	4.9	1	4.8	2	8.0	6	5.6
60.0 -	69.9	9	14.8	1	4.8	4	16.0	14	13.1
70.0 -	79.9	6	9.8	4	19.0	1	4.0	11	10.3
80.0 -	89.9	7	11.5	2	9.5	2	8.0	11	10.3
90.0 -	99.9	12	19.7	6	28.6	3	12.0	21	19.6
100.1 - 1	110.0	4	6.6	2	9.5	4	16.0	10	9.3
110.1 - 1	120.0	4	6.6	1	4.8	4	16.0	9	8.4
120.1 - 1	130.0	5	8.2	1	4.8	1	4.0	7	6.5
130.1 - 1	L40.0	3	4.9					3	2.8
140.1 - 1	150.0	1	1.6	2	9.5	1	4.0	4	3.7
150.1 - 1	160.0	1	1.6					1	0.9
160.1 - 1	170.0	1	1.6	1	4.8			2	1.9
170.1 - 1	180.0	2	3.3					2	1.9
180.1 - 1	190.0								
190.1 - 2	200.0								
Greater (than 200	.0 1	1.6			1	4.0	2	1.9
Totals ^a		61	100.0	21	100.0	25	100.0	107	100.0
Median Ra	atio	9	3	94	•	95	1	9	94







<u>Resort Real Estate</u>. Resort acreage improved real estate was undervalued by local assessors in 67 percent of the 151 townships studied (TABLE 4-14). The median assessment level for all townships was 88 percent. The median adjusted ratios were 86 percent in the rural townships, 90 percent in the urban townships, and 91 percent in the resort townships. The assessment levels varied more among the rural townships than among the urban and resort townships.

TABLE 4-14Distributions of adjusted assessment-appraisal
value ratios of Resort Acreage Improved Real
estate in 151 townships

	Rural Urban		irban	Res	ort	A11				
		Tow	nships	Tow	Townships		Townships		Townships	
Adjusted	Ratio	No.	Percent	No.	Percent	No.	Percent	No.	Percent	
0 -	9.9									
10.0 -	19.9									
20.0 -	29.9	1	1.1					1	0.7	
30.0 -	39.9	2	2.2					2	1.3	
40.0 -	49.9					1	2.9	3	2.0	
50.0 -	59.9	8	8.9	1	4.2	2	5.4	11	7.3	
60.0 -	69.9	11	12.2	1	4.2	3	8.1	15	9.9	
70.0 -	79.9	15	16.7	7	29.2	2	5.4	24	15.9	
80.0 -	89.9	10	11.1	3	12.5	11	29.7	24	15.9	
90.0 -	99.9	9	10.0	6	25.0	· 5.5	14.9	20.5	13.6	
100.1 - 1	110.0	11	12.2			5.5	14.9	16.5	10.9	
110.1 - 1	120.0	3	3.3	4	16.7	5	13.5	12	7.9	
120.1 - 1	130.0	2	2.2	2	8.3	1	2.7	5	3.3	
130.1 - 1	140.0	6	6.7			1	2.7	7	4.6	
140.1 - 1	150.0	1	1.1					1	0.7	
150.1 - 1	160.0	2	2.2					2	1.3	
160.1 - 1	170.0	1	1.1					1	0.7	
170.1 - 1	180.0	1	1.1					1	0.7	
180.1 - 1	190.0	2	2.2					2	1.3	
190.1 - 2	200.0									
Greater (than									
20	0.00	3	3.3					3	2.0	
Totals ^a		90	100.0	24	100.0	37	100.0	151	100.0	
Median Ra	atios		86	9	0	91		88	8	

^aDetails may not add to totals because of rounding.

Х

The median assessment level of resort acreage vacant real estate was 101 percent (TABLE 4-15). However, the median assessment levels were 109 percent in the rural townships, 85 percent in the urban townships, and 103 percent in the resort townships. Again, the assessmentappraisal value ratios varied more in the rural township groups.

TABLE 4-15 Distributions of adjusted assessment-appraisal value ratios of Resort Acreage Vacant Real Estate in 127 townships

		Rural		Urban		Re	sort	A11	
		Townships		Tow	nships	Tow	mships	Townships	
Adjusted	Ratio	No.	Percent	No.	Percent	No.	Percent	No.	Percent
0 -	9.9								
10.0 -	19.9	1	1.3					1	0.8
20.0 -	29.9	2	2.7					2	1.6
30.0 -	39.9	3	4.0			1	2.9	4	3.1
40.0 -	49.9	6	8.0	2	11.1			8	6.3
50.0 -	59.9	4	5.3	2	11.1	3	8.8	9	7.1
60.0 -	69.9	6	8.0	1	5.6	5	14.7	12	9.4
70.0 -	79.9	6	8.0	3	16.7	2	5.9	11	8.7
80.0 -	89.9	5	6.7	2	11.1	2	5.9	9	7.1
90.0 -	99.9	2	2.7	2	11.1	3	8.8	7	5.5
100.1 - 1	110.0	3	4.0	2	11.1	3	8.8	8	6.3
110.1 - 1	L20.0	4	5.3			2	5.9	6	4.7
120.1 - 1	130.0	2	2.7			2	5.9	4	3.1
130.1 - 1	L40.0	5	6.7	2	11.1	2	5.9	9	7.1
140.1 - 1	150.0	2	2.7			2	5.9	4	3.1
150.1 - 1	L60.0	4	5.3			3	8.8	7	5.5
160.1 - 1	L70.0	1	1.3			2	5.9	3	2.4
170.1 - 1	L80.0	4	5.3			1	2.9	5	3.9
180.1 - 1	L90.0	2	2.7					2	1.6
190.1 - 2	200.0	2	2.7					2	1.6
Greater t	han 200.0	11	14.7	2	11.1	1	2.9	14	11.0
Totals ^a		75	100.0	18	100.0	34	100.0	127	100.0
Median Ra	atios	10	8	8	5	10	3	10	1

Among 116 townships, local assessors over-valued resort platted improved real estate in 55 percent of the districts (TABLE 4-16). The median assessment level was 103 percent, and the median ratios in the rural, urban, and resort townships were 98 percent, 106 percent, and 106 percent, respectively. This class of realty was over-assessed in more than 60 percent of the districts in the urban and resort township groups.

TABLE 4-16 Distributions of adjusted assessment-appraisal value ratios of resort platted improved real estate in 116 townships

	Rural Townships		Urban Townships		Resort Townships		All Townships	
Adjusted Ratios	No.	Percent	No.	Percent	No.	Percent	No.	Percent
0 - 9.9								
10.0 - 19.9	1	1.8					1	0.9
20.0 - 29.9								
30.0 - 39.9								
40.0 - 49.9								
50.0 - 59.9	3	5.3			1	2.6	4	3.4
60.0 - 69.9	5	8.8	1	4.8			6	5.2
70.0 - 79.9	5	8.8	1	4.8	4	10.5	10	8.6
80.0 - 89.9	9	15.8	2	9.5	3	7.9	14	12.1
90.0 - 99.9	7	12.3	3	14.3	7	18.4	17	14.7
100.1 - 110.0	7	12.3	6	28.6	7	18.4	20	17.2
110.1 - 120.0	8	14.0	3	14.3	6	15.8	17	14.7
120.1 - 130.0	2	3.5	2	9.5	1	2.6	5	4.3
130.1 - 140.0	3	5.3			2	5.3	5	4.3
140.1 - 150.0	1	1.8	2	9.5	4	10.5	7	6.0
150.1 - 160.0	2	3.5			1	2.6	3	2.6
160.1 - 170.0	1	1.8	1	4.8			2	1.7
170.1 - 180.0	1	1.8					1	0.9
180.1 - 190.0					2	5.3	2	1.7
190.1 - 200.0	-							
Greater than 200.0	2	3.5					2	1.7
Totals ^a	57	100.0	21	100.0	38	100.0	116	100.0
Median Ratios	9	8	1	06	10	6	1	03

The median adjusted assessment-appraisal value ratio of resort platted vacant real estate in 104 townships was 98 percent (TABLE 4-17). The median ratios were 99 percent in the rural townships, 88 percent in the urban townships, and 101 percent in the resort townships.

<u>Timber, Part Timber, and Cutover Lands</u>. The distributions of adjusted assessment-appraisal value ratios of timber, part timber, and

TABLE 4-17 Distributions of adjusted assessment-appraisal value ratios of resort platted vacant real estate in 104 townships

	Rural Townships		U Tow	Urban Townships		Resort Townships		All Townships	
Adjusted Ratio	No.	Percent	No.	Percent	No.	Percent	No.	Percent	
0 - 9.9									
10.0 - 19.9									
20.0 - 29.9	2	3.6					2	1.9	
30.0 - 39.9									
40.0 - 49.9	3	5.5	2	13.3			5	4.8	
50.0 - 59.9	4	7.3	1	6.7	4	11.8	9	8.7	
60.0 - 69.9	2	3.6			3	8.8	5	4.8	
70.0 - 79.9	4	7.3	2	13.3	2	5.9	8	7.7	
80.0 - 89.9	7	12.7	3	20.0	2	5.9	12	11.5	
90.0 - 99.9	6	10.9	3	20.0	5	14.7	14	13.5	
100.1 - 110.0	3	5.5			9	26.5	12	11.5	
110.1 - 120.0	3	5.5	1	6.7	2	2.9	6	5.8	
120.1 - 130.0	2	3.6			1	2.9	3	2.9	
130.1 - 140.0	4	7.3	1	6.7			5	4.8	
140.1 - 150.0	1	1.8			1	2.9	2	1.9	
150.1 - 160.0	4	7.3					4	3.8	
160.1 - 170.0	4	7.3			2	5.9	6	5.8	
170.1 - 180.0	1	1.8			3	8.8	4	3.8	
180.1 - 190.0									
190.1 - 200.0									
Greater than 200.0	5	9.1	2	13.3			7	6.7	
Totals ^a	55	100.0	15	100.0	34	100.0	104	100.0	
Median Ratios	9	9	8	8	1	.01	9	8	

cutover lands are given in TABLE 4-18. The median assessment level of timber land was 98 percent in 21 townships. However, the median assessment level of part timber in 35 townships was 133 percent. And the part timber class was over-assessed in 86 percent of the districts.

Among 106 townships, cutover land was over-assessed in 92 percent of the districts. The median assessment level was 147 percent -- nearly 50 percentage points above the 100 percent level.

TABLE 4-18	Distributions of adjusted assessment-appraisal
	value ratios of timber, part timber, and cutover
	lands in townships

		T: All 1	Timber All Townships		Part Timber All Townshipe		Cutover Lands All Townships	
Adjusted	i Ratio	No.	Percent	No.	Percent	No.	Percent	
.0 -	9.9							
10.0 -	19.9							
20.0 -	29.9							
30.0 -	39.9	1	4.8					
40.0 -	49.9	2	9.5					
50.0 -	59.9	2	9.5					
60.0 -	69.9	1	4.8	1	2.9 .	1	0.9	
70.0 -	79.9	1	4.8	1	2.9			
80.0 -	89.9	2	9.5	2	5.7	3	2.8	
90.0 -	99.9	2	9.5	1	2.9	4	3.8	
100.1 -	110.0	3	14.3	4	11.4	6	5.7	
110.1 -	120.0	2	9.5	2	5.7	11	10.4	
120.1 -	130.0	1	4.8	5	14.3	7	6.6	
130.1 -	140.0	1	4.8	6	17.1	14	13.2	
140.1 -	150.0	1	4.8	4	11.4	10	9.4	
150.1 -	160.0			3	8.6	10	9.4	
160.1 -	170.0			3	8.6	8	7.5	
170.1 -	180.0			2	5.7	3	2.8	
180.1 -	190.0	1	4.8			7	6.6	
190.1 -	200.0					9	8.5	
Greater	than 200.0	1	4.8	1	2.9	13	12.3	
Totals ^a		21	100.0	35	100.0	106	100.0	
Median	Ratios	98		13	3	1	.47	

Variations in Personal Property Assessment Levels

The data from 320 township assessment districts also revealed some significant differences in the assessments of the various classes of personal property. In the following cases the assessment-appraisal value ratios have been adjusted to the equivalent of a 100 percent assessment for all personal property within the individual townships. As previously noted, estimated assessment-appraisal value ratios have been omitted from the analysis.

<u>Farm Personal Property</u>. Farm personal property was under-valued by local assessors in 70 percent of the 250 townships (TABLE 4-19). The median assessment level of farm personalty was only 81 percent. The estimated ratios in 40 townships were omitted from consideration, and five townships had no farm personal property. Also, in 25 additional townships the State Tax Commission found that the local tax rolls erroneously listed no farm personal property. In these cases the value of the farm personalty discovered by the Commission was substantial. In several instances well over \$100,000 and in one case more than \$200,000 in farm personalty valuations were added to the local tax rolls which had previously listed no farm personal property.

The median assessment levels were 85 percent in 168 rural townships, 64 percent in 62 urban townships, and 57 percent in 20 resort townships. In general the total valuation of farm personalty, within each district, was less in the urban and resort townships than in the rural townships.

<u>Business Personal Property</u>. For 301 townships the median assessment level of business personal property was 92 percent (TABLE 4-19). Business personalty was under-valued by local assessors in 58 percent of the

	per	Sonal prop Farm Pe All 1	ercy in to ersonalty Cownships	Busines All T	s Personalty ownships	Industrial Personalty All Townships	
Adjusted	Ratio	No.	Percent	No.	Percent	No.	Percent
0 -	9.9	6	2.4	1	0.3	1	0.5
10.0 -	19.9	9	3.6	1	0.3	5	2.6
20.0 -	2 9.9	10	4.0	5	1.7	7	3.7
30.0 -	39.9	19	7.6	14	4.7	12	6.3
40.0 -	49.9	19	7.6	14	4.7	19	10.1
50.0 -	59.9	23	9.2	18	6.0	14	7.4
60.0 -	69.9	20	8.0	16	5.3	22	11.6
70.0 -	79.9	16	6.4	38	12.6	15	7.9
80.0 -	89.9	30	12.0	36	12.0	12	6.3
90.0 -	99.9	24	9.6	30	10.0	16.5	8.7
100.0 - 1	10.0	25	10.0	2 9	9.6	14.5	7.7
110.1 - 1	20.0	11	4.4	25	8.3	8	4.2
120.1 - 1	30.0	10	4.0	14	4.7	11	5.8
130.1 - 14	40.0	10	4.0	10	3.3	9	4.8
140.1 - 1	50.0	5	2.0	6	2.0	1	0.5
150.1 - 1	60.0	2	0.8	7	2.3	2	1.1
160.1 - 1	70.0	3	1.2	10	3.3		
170.1 - 1	80.0			7	2.3	5	2.6
180.1 - 19	90.0	1	0.4	3	1.0		
190.1 - 20	00.0			1	0.3	2	1.1
Greater t	han 200.0	7	2.8	16	5.3	13	6.9
Totals ^a		250	100.0	301	100.0	189	100.0
Median Ra	tios	81	L	92		80)

TABLE 4-19 Distributions of adjusted assessment-appraisal value ratios of farm, business, and industrial personal property in townships

^aDetails may not add to totals because of rounding.

townships. Five townships had no business personal property, and the estimated assessment-appraisal value ratios of the remaining 14 townships were excluded from the distributions.

The median assessment levels were 93 percent in 200 rural townships, 89 percent in 73 urban townships, and 97 percent in 28 resort townships. Industrial Personal Property. Among the 189 townships for which comparisons were made, industrial personal property was under-assessed in 65 percent of the districts (TABLE 4-19). The median assessment level of industrial personal property was only 80 percent among all townships. The median adjusted ratios in the rural, urban, and resort township groups were 77 percent, 88 percent, and 68 percent, respectively.

Utility Personal Property. The median assessment level of utility personal property in 248 local districts was 124 percent (TABLE 4-20). Estimated ratios from the other townships were omitted from the sample. Utility personal property was over-assessed in 70 percent of the local districts. And in 19 percent of the observations this class of personalty was assessed at more than double the 100 percent level.

The median assessment levels were 122 percent in 169 rural townships, 140 percent in 54 urban townships, and 116 percent in 25 resort townships.

<u>Pipelines.</u> Gas and oil pipelines were, in most instances, substantially over-assessed by the local officials. Among 94 townships, pipelines were found to be over-assessed in 91 percent of the districts (TABLE 4-20). The median assessment level for pipelines was 139 percent, and in 27 of the 94 districts pipelines were assessed at more than the 200 percent level.

	Utility All	Personalty Townships	Pipelines All Townshipe		
Adjusted Ratio	No.	Percent	No.	Percent	
0 - 9.9					
10.0 - 19.9	2	0.8			
20.0 - 29.9	1	0.4			
30.0 - 39.9	-	••••			
40.0 - 49.9	3	1.2			
50.0 - 59.9	5	2.0			
60.0 - 69.9	9	3.6			
70.0 - 79.9	10	4.0			
80.0 - 89.9	18	7.3	3	3.2	
90.0 - 99.9	26.5	10.7	5.5	5.9	
100 1 - 110 0	20.5	Q Q	11 5	12.2	
110.1 - 120.0	18	7 3	10	10 6	
120.1 - 130.0	18	7.3	7	7 /	
120.1 - 140.0	10	7.J 6.0	11	11 7	
140.1 - 140.0	1/	5.6	11	2 2	
140.1 - 150.0	14	2.0	5	5.2	
150.1 - 160.0	0	3.2	2	5.5	
160.1 - 1/0.0	9	3.0	3	3.2	
170.1 - 180.0	10	4.0	4	4.3	
180.1 - 190.0	3	1.2	2	2.1	
190.1 - 200.0	5	2.0	2	2.1	
Greater than 200.0	47	19.0	27	28.7	
Tot als^a	2 48	100.0	94	100.0	
Median Ratios	12	4	139	1	

TABLE 4-20 Distributions of adjusted assessment-appraisal value ratios of utility personal property and pipelines in townships

^aDetails may not add to totals because of rounding.

City Assessment Districts

Average Assessment-Appraisal Value Ratios

Among the 53 cities studied, there was, as among the townships, a wide range in the average assessment-appraisal value ratios of the individual municipal assessment districts. However, there was little difference between the average assessment levels of real and personal property. After five cities were eliminated from the comparison because the valuation of major classes of personal property had been adjusted upward while the equalization studies were in progress, real property was found to be assessed, on the average, at a higher percentage of true cash value than was personal property, in 25 cities. In the remaining 23 cities personal property was assessed at the higher level.

<u>All Property</u>. The range of assessment-appraisal value ratios for all property within the municipalities was 51.8 percentage points (TABLE 4-21). The median assessment level was 52.6 percent for the 53 cities. And the ratios of 31 cities were within 10 percentage points of the median ratio.

<u>Real Property</u>. The median assessment-appraisal value ratio of real property was 54.6 percent (TABLE 4-21). The range of 67.4 percentage points was somewhat larger than the range of the ratios for all property. Again 31 cities were within 10 percentage points of the median ratio.

<u>Personal Property</u>. The range of personalty ratios was measurably greater than the range of real property ratios. The personal property assessment-appraisal value ratios of only 15 cities were within 10 percentage points of the median ratio of 52.4 percent (TABLE 4-21).

TABLE 4-21 Variations in average assessment-appraisal value ratios for all property, real property, and personal property in 53 cities

	All Property	Real Property	Personal Property
Highest ratio	85.8	102.7	126.2
Lowest ratio	34.0	35.3	16.2
Range	51.8	6 7 .4	110.0
Median Ratio	52.6	54.6	52.4
No. of cities more than 10 percentage points from median ratio	22	22	38

Variations in Real Property Assessment Levels

Since a number of the property classes considered in the analysis of township assessment districts are not applicable to city assessment districts, there were fewer major classes of property for which comparisons could be made. Only four types of real estate, within cities, were studied: (1) business, (2) industrial, (3) utility, and (4) residential property. Once again the assessment-appraisal value ratios have been adjusted to the equivalent of a 100 percent assessment for real property. Deviations from the 100 percent level then represent either over-assessment or under-assessment relative to the average assessment level for all real property within the individual districts.

<u>Business Real Estate</u>. Business Improved real estate was assessed in a very uniform manner in the 53 cities. The median adjusted assessment-appraisal value ratio was 99 percent (TABLE 4-22). The assessment levels of all but one city were in the range from 70 to 140 percent, and 45 percent of the ratios were within 10 percentage points of the 100 percent level. Business improved realty was under-assessed in 27 cities and over-assessed in 26 cities.

The median assessment level of business vacant real estate was 84 percent (TABLE 4-22). This property class was under-assessed in 62 percent of the cities. Only 15 percent of the observations were in the range from 90 to 110 percent.

Industrial Real Estate. Among 49 cities, industrial real estate was assessed at a median adjusted ratio of 101 percent (TABLE 4-22). The range from 90 to 110 percent contained 47 percent of the ratios. Three cities had no industrial real estate, and the assessment-appraisal value ratio in one city was estimated.

<u>Utility Real Estate</u>. Utility real estate was over-valued by local assessors in 74 percent of 38 municipal assessment districts (TABLE 4-22). The median assessment level of utility property was 140 percent. It should be noted that the assessment levels in 10 of the 38 cities were more than 200 percent. Ten cities had no utility real estate, and the assessment levels in five cities were estimated. Substations were not included in the utility class.

	•								
	Bu Im	usiness Business mproved Vacant In		Indu	strial	Utility			
	A11	Cities	A11	Cities	A11	Cities	A11	Cities	
Adjusted Ratio	No.	Percent	No.	Percent	No.	Percent	No.	Percent	
0 - 9.9									
10.0 - 19.9							1	2.6	
20.0 - 29.9									
30.0 - 39.9			1	1.9					
40.0 - 59.9			2	3.8	1	2.0	2	5.3	
50.0 - 59.9			5	9.4	2	4.1	3	7.9	
60.0 - 69.9			9	17.0	3	6.1	2	5.3	
70.0 - 79.9	3	5.7	7	13.2	3	6.1			
80.0 - 89.9	11	20.8	6	11.3	4	8.2			
90.0 - 99.9	13	24.5	3	5.7	10.5	21.4	2	5.3	
100.1 - 110.0	11	20.8	5	9.4	12.5	25.5	1	2.6	
110.1 - 120.0	7	13.2	3	5.7	5	10.2	4	10.5	
120.1 - 130.0	6	11.3	2	3.8	5	10.2	3	7.9	
130.1 - 140.0	1	1.9	4	7.5			1	2.6	
140.1 - 150.0			1	1.9	2	4.1	3	7.9	
150.1 - 160.0							3	7.9	
160.1 - 170.0	1	1.9	2	3.8					
170.1 - 180.0			2	3.8			1	2.6	
180.1 - 190.0			1	1.9			2	5.3	
190.1 - 200.0									
Greater than 200.0					1	2.0	10	26.3	
Totals ^a	53	100.0	53	100.0	49	100.0	38	100.0	
Median Ratios	9	9	8	4	10	1	14	0	

TABLE 4-22 Distributions of adjusted assessment-appraisal value ratios of business improved, business vacant, industrial, and utility real estate in cities

^aDetails may not add to totals because of rounding.

<u>Residential Real Estate</u>. Residential improved real estate was the largest single property class, in terms of total valuation, in most of the cities studied. The median assessment level was 101 percent (TABLE 4-23). The adjusted ratios of 45 cities were within 10 percentage points of the 100 percent assessment level.

Residential vacant real estate was under-assessed in 60 percent of the cities (TABLE 4-23). The median assessment level was 91 percent, and the ratios of only 12 cities were within 10 percentage points of the 100 percent level.

Adjusted	Ratio	Re	sidential Improved	R	esidential Vacant 11 Cities
	MACIO	No.	Percent	No.	Percent
0 -	9.9				
10.0 -	19.9				
20.0 -	29.9				
30.0 -	39.9				
40.0 -	49.9				
50.0 -	59.9			1	1.9
60.0 -	69.9	1	1.9	8	15.1
70.0 -	79.9	2	3.8	7	13.2
80.0 -	89.9	1	1.9	10	18.9
90.0 -	99.9	21	39.6	6	11.3
100.1 - 2	110.0	24	45.3	6	11.3
110.1 - 3	120.0	3	5.7	4	7.5
120.1 - 3	130.0	1	1.9	6	11.3
130.1 - 2	140.0				
140.1 - 2	150.0			3	5.7
150.1 - 2	160.0				
160.1 - 1	170.0			1	1.9
170.1 - 1	180.0				
180.1 - 1	190.0				
190.1 - 2	200.0				
Greater (than 200.0			1	1.9
Totals ^a		53	100.0	53	100.0
Median Ra	atios		101		91

TABLE 4-23Distributions of adjusted assessment-appraisal
value ratios of residential improved and resi-
dential vacant real estate in 53 cities

Variations in Personal Property Assessment Levels

Three major classes of personal property made up the bulk of the personalty valuations in the municipal assessment districts: (1) business, (2) industrial, and (3) utility personal property. The adjusted assessment levels were computed on the basis of a 100 percent assessment for personalty within each city.

<u>Business Personal Property</u>. The median adjusted assessment level of business personal property was 105 percent (TABLE 4-24). Business personalty was over-assessed in 58 percent of 50 cities, but 42 percent of the observations were in the range from 90 to 110 percent. The assessment levels in three cities were estimated. The assessment levels ranged from 60 to more than 200 percent.

Industrial Personal Property. Industrial personal property was under-valued by local assessors in 63 percent of 46 municipal districts (TABLE 4-24). The median assessment level was 90 percent. Five cities had no industrial personalty, and assessment levels were estimated in two cities. The ratios of 18 cities were within 10 percentage points of the 100 percent assessment level, and all of the ratios were within the range from 40 percent to 150 percent.

<u>Utility Personal Property</u>. Among 39 cities the median assessment level of utility personal property was 118 percent (TABLE 4-24). This property class was over-assessed in 59 percent of the city assessment districts. The estimated ratios of 14 cities were excluded from consideration. The ratios of only 6 cities were within 10 percentage points of the 100 percent assessment level.

	Busines <u>e</u> Personalty All Cities		Ind Per All	lustrial sonalty Cities	Utility Personalty All Cities		
Adjusted Ratio	NO.	Percent	No.	Percent	No.	Percent	
0 - 9.9							
10.0 - 19.9							
20.0 - 29.9					1	2.6	
30.0 - 39.9							
40.0 - 49.9			1	2.2	1	2.6	
50.0 - 59.9			1	2.2	1	2.6	
60.0 - 69.9	3	6.0	4	8.7			
70.0 - 79.9	3	6.0	7	15.2	6	15.4	
80.0 - 89.9	2	4.0	10	21.7	3	7.7	
90.0 - 99.9	13	26.0	6	13.0	4	10.3	
100.1 - 110.0	8	16.0	12	26.1	2	5.1	
110.1 - 120.0	9	18.0	2	4.3	2	5.1	
120.1 - 130.0	1	2.0			4	10.3	
130.1 - 140.0			1	2.2	4	10.3	
140.1 - 150.0	2	4.0	2	4.3			
150.1 - 160. 0	3	6.0			3	7.7	
160.1 - 170.0	2	4.0			2	5.1	
170.1 - 180.0					2	5.1	
180.1 - 190.0	1	2.0					
190.1 - 200.0	2	4.0			1	2.6	
Greater than 200.0	1	2.0			3	7.7	
Totals ^a	50	100.0	46	100.0	39	100.0	
Median Ratios	1	.05	9	0	11	L8	

TABLE 4-24 Distributions of adjusted assessment-appraisal value ratios of business, industrial, and utility personal property in cities

^aDetails may not add to totals because of rounding.

Equalization of Local Assessments Within Counties

The wide variations in the assessment levels of different property classes within the individual local assessment districts are particularly significant to the problem of county-wide equalization. It is clear that the county equalization boards face a much more difficult task than the mere adjustment of the total assessment valuations of each district within the county. If the county equalization board were to correct

only the total valuations and the over-all average assessment levels of each district, the equalized valuations would, in no way, lessen the variations in the assessment levels of the different property classes. Two counties have been selected to illustrate the difficulties of county-wide equalization.

Eaton County

The actual assessment-appraisal value ratios of the major property classes in Eaton county are given in TABLE 4-25. These data were provided by a State Tax Commission equalization study which was conducted in 1958. The assessment levels of industrial real estate in the township assessment districts and of farm improved, farm vacant, suburban acreage improved, suburban platted improved, and farm personal property in the city assessment districts were excluded from the table because these classes (and the other classes not shown in the table) account for relatively small proportions of the total valuations. Also, some of the local districts had no property in the residential improved, suburban acreage improved, suburban platted improved, and the industrial personalty classes.

The average assessment levels of all real property in Eaton county, by assessment districts, ranged from 46.8 percent in Delta township to 77.1 percent in Kalamo township. And the average assessment levels of personal property ranged from 33.9 percent in Sunfield township to 79.0 percent in Kalamo township. This means, for example, that personal property in Kalamo township was, on the whole, assessed at more than twice the level of personalty assessments in Sunfield township. The
				Re	al Prope	rty		!		Рч	ersonal P	roperty	
Assessment District	Res.	Bus.	Farm	Parm	Sub.Ac.	Sub.P.	Ind.	All Real	Ind.	Bus.	Utility	Farm	All Personal
	Imp.	Imp.	Imp.	Vacant	Imp.	Imp.	Realty	Property	Per.	Per.	Per.	Per.	Property
Rural Townships													
Benton	72.9	53.4	69.5	86.0	68.7	115.1		70.6		49.6	64.0	59.4	58.3
Brookfield		79.4	58.8	68.0	54.2			60.1		80.2	76.0	48.3	55.0
Carmel		69.1	70.2	70.5	65.7	58.2		69.2		36.1	72.8	55.1	55.6
Chester		25.9	69.5	91.8	46.8	57.1		69.7		59.9	53.1	50.4	51.9
Eaton		40.5	81.2	81.3	61.1	82.3		71.1		40.5	57.8	103.5	61.5
Eaton Rapids		71.3	75.3	95.0	65.0			75.9		76.1	53.9	64.6	61.4
Hamlin		41.5	57.5	71.3	55.2	49.7		58.6	55.7	71.1	66.6	40.5	53.3
Kalam o		60.09	75.0	112.4	69.5	68.3		77.1		75.6	81.1	77.8	79.0
Oneida		42.2	71.2	86.7	58.9	46.7		65.7	66.2	75.5	59.7	63.5	64.4
Roxand	68.5	50.0	65.4	67.0	53.3			64.5	51.7	29.6	74.1	47.9	51.7
Sunfield	44.6	38.8	54.2	65.8	44.6	48.6		51.4	27.5	36.7	52.6	26.2	33.9
Vermontville	59.2	60.4	68.5	95.6	58.8			67.8	25.9	33.2	64.3	59.7	50.9
Walton		60.9	68.4	83.9	66.5			69.4	58.2	103.1	49.0	62.7	60.1
Windsor	63.8	63.3	65.3	82.9	50.6	54.4		61.5		40.1	61.6	33.1	43.5
Urban Townships													
Bellevue	42.1	47.6	58.4	100.1	40.7			52.4	18.4	38.9	71.3	39.9	45.8
Delta		36.4	50.4	51.0	45.1	47.1		46.8		18.2	65.6	45.0	47.6
Cities													
Charlotte	66.7	86.5					42.8	68.0	25.9	76.7	69.6		51.9
Eaton Rapids	70.4	72.0					68.7	70.9	36.0	79.6	41.5		52.5
Grand Ledge	61.5	65.7					61.7	62.3	51.0	66.3	48.0		57.9
Olivet	64.1	61.8					67.1	63.5	29.4	40.8	58.7		37.8

TABLE 4-25 Assessment-appraisal value ratios of major property classes in Eaton county, 1958

over-all variations in realty assessment levels ranged from 25.9 percent for business improved real estate in Chester township to 115.1 percent for suburban platted improved real estate in Benton township. Personalty assessment levels ranged from 18.2 percent for business personal property in Delta township to 103.5 percent for farm personalty in Eaton township. It is apparent that equitable taxation could not be achieved without equalization.

Although equalization can be carried out at any uniform level, let us assume that the Eaton county board decided to equalize at 100 percent of the state appraisal valuations and upon the basis of average assessment levels of both real and personal property within each local district. The equalization board must first determine the average assessment levels within each district and then adjust the total realty valuation and the total personalty valuation of each district upward to the 100 percent level. But the equalization board has thus made no corrections for the variations in the assessment levels of different property classes within each district.

After equalization at the 100 percent level, the assessment levels in Eaton county would be as shown in TABLE 4-26. The average equalized assessment levels of all real property and of all personal property, within each assessment district, are at the 100 percent level; but the variations among the assessment levels of the different property classes persist. How does this affect the equitable distribution of the tax burden?

				R	eal Prope	rty					Persona1	Proper	ty
Assessment District	Res. Imp.	Bus. Imp.	Farm Imp.	Farm Vacant	Sub.Ac. Imp.	Sub.P. Imp.	Ind. Realty	All Real Property	Ind.	Bus. Per.	Utility Per.	Farm Per.	All Personal Property
Rural Townships													
Benton	124.0	75.6	98.4	121.8	97.3	163.0		100.0		85.1	110.0	101.9	100.0
Brookfield		132.4	97.8	113.1	90.2			100.0		145.8	138.2	87.8	100.0
Carmel		99.8	101.4	101.9	94.9	84.1		100.0		6.49	130.9	99.1	100.0
Chester		37.2	7.66	131.7	67.1	81.9		100.0		115.4	102.3	97.1	100.0
Eaton		57.0	114.2	114.3	85.9	115.7		100.0		62.9	94.0	168.3	100.0
Eaton Rupids		93.9	99.2	125.2	85.6			100.0		123.9	87.8	105.2	100.0
Hamlin		70.8	98.1	121.7	94.2	84.8		100.0	104.5	133.4	124.9	76.0	100.0
Kalamo		77.8	97.3	145.8	90.1	88.6		100.0		95.7	102.7	98.5	100.0
Oneida		64.2	108.4	132.0	89.6	71.1		100.0	102.8	117.3	92.7	98.6	100.0
Roxand	106.2	77.5	101.4	103.8	82.6			100.0	100.0	57.2	143.3	92.6	100.0
Sunfield	86.8	75.5	105.5	128.5	86.8	94.6		100.0	81.1	108.3	155.2	77.3	100.0
Vermontville	87.3	89.1	101.0	141.0	86.7			100.0	50.9	65.2	126.3	117.3	100.0
Walton		87.8	98.6	120.9	95.8			100.0	96.8	171.6	81.5	104.3	100.0
Windsor	103.7	102.9	106.2	134.8	82.3	88.5		100.0		92.9	141.6	76.1	100.0
Urban townships													
Bellevue	80.3	90.8	111.5	191.0	17.7			100.0	40.2	84.9	155.7	87.1	100.0
Delta		77.8	107.7	110.3	96.4	100.6		100.0		38.2	137.8	94.5	100.0
Cities													
Charlotte	98.0	127.2					62.9	100.0	50.0	128.0	134.3		100.0
Eaton Rapids	99.3	101.5					96.9	100.0	68.4	151.2	78.9		100.0
Grand Ledge	0.99	105.0					99.3	100.0	88.2	114.7	83.0		100.0
Olivet	100.6	97.0					105.3	100.0	77.9	108.1	155.6		100.0

TABLE 4-26 Adjusted assessment-appraisal value ratios of major property classes in Eaton county, 1958

At the outset it should be recognized that if the county equalization board has correctly equalized at the 100 percent level (or any other uniform level), county-wide taxes will be equitably distributed among the local assessment districts. Furthermore, if the board has correctly adjusted both the total realty valuations and the total personalty valuations of each district to the 100 percent level, county-wide taxes will be equitably divided between real and personal property within each district. Tax inequities still remain, however, among the different property classes. Hence, in Chester township business real estate is paying only 37 percent of its rightful tax burden, while farm vacant real estate is paying 132 percent. In Benton township business improved real estate is taxed at only 76 percent, and suburban platted improved real estate is taxed at 163 percent. Business personalty in Delta township is paying only 38 percent of its fair tax load, while business personalty in Eaton township is paying 172 percent of its fair burden. In addition, it should be noted that in every local district farm vacant real estate is being over-taxed and suburban acreage improved real estate is being undertaxed.

The inequities of equalization based upon only average realty and personalty assessment levels are obvious. Moreover, the assessment levels of the property classes omitted from the comparison vary even more than those of the major classes, and the inequities of the equalization system are even greater than shown.

Shiawassee County

The actual assessment-appraisal value ratios of the major property classes in Shiawassee county are given in TABLE 4-27. This county was

					Real Pro	perty					Personal	Proper	ty
Assessment District	Res. Imp.	Bus. Imp.	Farm Imp.	Farm Vacant	Sub.Ac. Imp.	Sub.P. Imp.	Ind. Realty	All Real Property	Ind. Per.	Bus. Per.	Utility Per.	Farm Per.	All Personal Property
Rural Townships													
Antrim			45.0	69.1	37.4			45.7		73.0	77.0	35.4	73.0
Bennington		50.2	47.5	59.6	47.0	41.8		48.4		58.3	68.2	62.8	72.2
Burns	40.0	35.4	37.4	36.2	42.5	30.7		37.7	21.4	45.1	65.3	56.6	69.4
Fairfield		42.9	39.5	40.2	33.9			39.3		34.6	67.6	37.4	42.1
Hazelton	45.0	55.3	32.4	40.2	29.1			34.4	75.4	25.8	84.0	58.2	54.7
Middlebury		38.5	45.8	62.9	33.3	19.3		42.1		71.9	70.3	73.1	83.9
New Haven		44.1	41.4	59.6	28.8			42.2		42.0	74.2	27.2	46.9
Owosso		40.1	27.9	30.8	28.6	29.82		29.0	25.4	57.0	61.9	19.7	36.8
Rush		48.1	38.3	41.5	42.8	33.2		39.1	16.8	27.5	77.1	31.6	35.4
Sciota			44.6	73.0	38.0	32.2		46.2			84.3	73.9	77.1
Shiawassee	40.2	44.7	41.8	65.8	29.9	40.0		42.1	35.4	36.4	66.8	76.5	74.6
Venice		22.2	37.7	43.7	37.0	34.0		36.4		11.5	65.3	18.4	23.6
Vermont	33.3	45.7	39.7	46.5	36.1	29.1		38.6	16.3	36.2	66.6	59.8	44.6
Woodhu11		37.3	48.5	62.2	45.4	49.9		49.0		41.9	55.1	17.1	54.0
Urban Townships													
Caledonia		45.0	39.6	69.6	36.2	33.2		41.5	17.0	59.0	48.3	26.4	28.2
Perry	45.8	49.3	42.4	54.0	33.3	34.7		44.4	4.7	31.6	75.5	26.0	40.3
Cities													
Corunna	37.6	30.8					34.0	35.3	16.4	36.1	71.1		36.8
Durand	52.9	51.7					34.6	50.2	30.2	41.4	65.1		36.6
Laingsburg	47.5	41.3					27.3	45.4	42.4	62.8	87.1		73.9
Owoeso	47.1	62.6					27.7	46.2	61.5	83.4	69.2		6.9

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TABLE 4-27 Assessment-appraisal value ratios of major property classes in Shiawassee county, 1957

studied by the State Tax Commission in 1957. Again the assessment levels of industrial real estate in the township assessment districts and of farm improved, farm vacant, suburban acreage improved, suburban platted improved, and farm personal property in the city assessment districts were omitted from the table.

In Shiawassee county the average realty assessment levels ranged from 29.0 percent in Owosso township to 50.9 percent in the city of Durand. The average personalty assessment levels ranged from 23.6 percent in Venice township to 83.9 percent in Middlebury township. Among the major classes of real property, the assessment levels ranged from 19.3 percent for suburban platted improved real estate in Middlebury township to 73.0 percent for farm vacant real estate in Sciota township. Personalty assessment levels ranged from 4.7 percent for industrial personal property in Perry township to 87.1 percent for business personalty in the city of Laingsburg.

The effect of county-wide equalization at the 100 percent level for total realty and total personalty valuations is shown in TABLE 4-28. The total county valuation, as equalized, is fairly distributed among the local assessment districts, but the tax burden is inequitably distributed among the property classes within each district. Thus, for example, in Middlebury township suburban platted improved real estate is taxed at only 46 percent of its fair tax share, while farm vacant property is taxed at 157 percent. In Perry township the equalized assessment level of industrial personal property is only 12 percent, and the equalized assessment level of utility personal property is 187 percent of the average equalization level. The equalized assessment levels in the city of

				R	teal Prop	erty					Persona	I Prope	rty
Assessment District	Res. Imp.	Bus. Imp.	Farm Imp.	Farm Vacant	Sub.Ac. Imp.	Sub.P. Imp.	Ind. Realty	All Real Property	Ind. Per.	Bus. Per.	Utility Per.	Farm Per.	All Persona Property
Rural Townships													
Antrim			98.5	151.2	81.8			100.0		100.0	105.5	48.5	100.0
Bennington		103.7	98.1	123.1	98.1	86.4		100.0		80.7	94.4	47.0	100.0
Burns	106.1	98.9	99.2	96.0	112.7	81.4		100.0	30.8	65.0	94.1	81.6	100.0
Fairfield		109.2	100.5	102.3	86.3			100.0		82.2	160.6	88.8	100.0
Hazelton	130.8	160.8	94.2	116.9	84.6			100.0	137.8	47.2	153.6	106.4	100.0
Middlebury		91.4	108.8	156.5	79.1	45.8		100.0		85.7	83.8	87.1	100.0
New Haven		104.5	98.1	141.2	68.2			100.0		89.5	158.2	58.0	100.0
Owosso		138.3	96.2	106.2	98.6	102.8		100.0	69.4	155.7	169.1	53.8	100.0
Rush		148.6	98.0	106.1	109.5	84.9		100.0	41.4	7.77	217.8	89.3	100.0
Sciota			96.5	158.0	82.2	69.7		100.0			109.3	95.8	100.0
Shiawassee	95.5	106.2	99.3	156.3	71.0	95.0		100.0	47.4	48.8	89.5	102.5	100.0
Venice		61.0	103.6	120.0	101.6	93.4		100.0		48.7	276.7	78.0	100.0
Vermont	86.3	118.4	102.8	120.5	93.5	75.4		100.0	36.5	81.2	149.3	134.1	100.0
Woodhull		76.1	0.66	126.9	92.7	101.8		100.0		77.6	102.0	31.7	100.0
Urb a n Townships													
Caledonia		108.5	95.4	167.7	87.2	80.0		100.0	60.3	209.0	171.0	93.6	100.0
Perry	103.1	111.0	95.5	121.6	75.0	78.1		100.0	11.7	78.4	187.3	64.5	100.0
Cities													
Coruna	106.4	87.2					96.2	100.0	44.6	98.2	193.4		100.0
Durand	105.3	102.9					68.9 (0.1	100.0	82.4	113.8	177.7		100.0
Laingsburg	101 7	90.9					50 R		84.8 87 9	0./11 119 3	0 00		
													0.004

TABLE 4-28 Adjusted assessment-appraisal value ratios of major property classes in Shiawassee county, 1957

Corunna ranged from 45 percent for industrial personal property to 193 percent for utility personalty.

Eaton and Shiawassee counties were selected from the group of sample counties only to demonstrate the problems associated with county-wide equalization. Examination of the other counties would reveal substantially the same picture. In summary, it is evident that equalization based only upon the average local assessment levels, even when the averages are correctly determined, does not assure the equitable treatment of property owners. At best, equalization based upon average assessment levels merely results in the equitable distribution of the total county valuation among the local assessment districts as a whole. Some property classes will still bear excessive shares of the tax burden within each local district. Furthermore, equalization based upon detailed studies, such as those conducted by the State Tax Commission, does not eliminate the inequities which exist within the assessments of particular property classes. Equalization cannot eliminate all assessment inequities, and equalization is not a substitute for assessment appeals by the individual property owners.

CHAPTER V

SUMMARY AND CONCLUSIONS

The general property tax is the major source of revenue for local governments in Michigan. Although the property tax is no longer a source of state governmental revenue, nearly all of the local governmental tax receipts come from property taxation. Moreover, property taxes comprise the largest single source of both tax and non-tax revenues for school district, county, city, and village governments in Michigan.

The serious faults of the general property tax are widely recognized, but it seems certain that local governments will continue to rely heavily upon property tax receipts in the future. Complete abandonment of property taxation is extremely unlikely and, for the most part, of doubtful merit. Thus it is essential that the weaknesses of the existing property tax system be corrected insofar as possible and that every effort be made to secure equitable treatment for all property owners.

Legal Restrictions

As noted in Chapter II, the legal framework of the Michigan property tax system is based upon constitutional restraints, state statutes, and court interpretation of both constitutional and statutory provisions. In summary, the Michigan constitution requires that all general property taxes be levied in a uniform manner. This provision has two effects: First, within each individual assessment district, all classes of property subject to ad valorem taxation must be taxed at the same rate.

Second, the uniformity provision also necessitates the assessment of all taxable property at the same percentage of actual market value. Assessment is required, by the constitution, to be at true cash value, which has been further defined as the price which could be obtained for the property in normal market sale. It is important to note, however, that the general uniformity requirement does not apply to property subject to specific taxation.

Numerous classes of property are exempted by law from the general property tax. In addition, certain property classes are given special tax treatment for a variety of reasons. Aside from the usual exemptions, the most important exemption in terms of total valuation is probably intangible personal property. This property class, and others of lesser importance, are subject to specific taxes and, hence, are exempt from the general property tax.

The most notable of the remaining exemptions are those granted to household personal property. Due to the large exemption given to each family, household personal property is, in most instances, completely exempt from taxation.

In Michigan, as in most states, there is a constitutional limit to the general property tax rate. An over-all, 15-mill limitation is placed upon the aggregate property tax levy of all local governments except municipalities. Thus the 15 mills are commonly divided among the county, townships, and school districts. Certain other rate limitations apply to the tax levies of cities and villages. In all cases the rate limitations presuppose assessment at true cash value.

Assessment Practices

Administrative Procedures

Each city and township in Michigan is a separate assessment district for the purpose of property taxation. Township assessment is the responsibility of the elected township supervisor. Municipal governments are free to provide for assessment as they desire, and the assessor is an appointed official in most of the larger cities.

The local assessor is responsible for the valuation of all taxable property at true cash value. If any property owner is dissatisfied with the assessment valuation placed upon his property, the assessment may be appealed to a local board of review, which operates in each local assessment district. Further appeal, to the State Tax Commission, is possible if the action of the local review board is unsatisfactory to the appellant property owner. In the absence of fraudulent assessment, cases involving assessment appeal generally will not be heard in the courts.

Equalization of local property assessments is carried out at both the county and state levels. Equalization within the county is necessary for the equitable distribution of the taxes levied by governmental units which overlap the boundaries of local assessment districts. Although the state government does not levy a general property tax, state-wide equalization is important because most legal restrictions on property taxation are now based upon state equalized property valuations. Also, a portion of the state school aid is distributed to local communities on the basis of state equalized valuations.

The state administrative responsibilities in the supervision of property taxation rest with the State Tax Commission, the State Board of Equalization, and the State Board of Assessors. Both boards rely upon the State Tax Commission for the performance of administrative and field work. The activities of the State Tax Commission consist primarily of property appraisals necessitated by individual assessment appeals, appeals from the reports of county equalization boards, and in the determination of property valuations which are to be recommended to the State Board of Equalization.

Each year the State Tax Commission completes detailed equalization studied in about five or six Michigan counties. These studies are based upon actual field appraisals of 10 to 15 percent of the local assessments of each major property class within the individual assessment districts.

Township Assessors

Some insight into the characteristics and attitudes of township assessors was gained from a brief questionnaire mailed to the supervisors of the 320 townships studied in the preceding chapter. About one-third of the questionnaires were returned. Although it was not possible to compare the assessment levels within the individual districts with the characteristics of the local assessing officials, some useful information was obtained.

As expected, the occupations of township supervisors vary a great deal. A substantial number of the supervisors in rural communities are farmers or retired farmers. Both the age and length of service of the supervisors cover a wide range. Most of the officials have resided in their local community for many years. Nearly all of the supervisors indicated that they attempt to assess at some level ranging from one-fifth to one-third of current market values. Thus local assessments are made at about one-half of state equalized valuations which, in turn, represent approximately 50 percent of prevailing market values. Although a few supervisors listed their occupation as real estate broker, in most cases the local assessors have had no professional experience in appraisal work other than as township assessor. However, in some of the districts professional appraisers have been employed on either a full or part-time basis to aid in property assessment.

Two local assessors reported that they purposely assess residential property at a lower percentage of current market value than that applied in the assessment of business and industrial property. This, of course, is an obvious violation of the uniformity requirement. In addition, a few assessors boasted that they were assessing at levels either higher or lower than those of the other assessors in their respective counties.

While a few supervisors expressed dissatisfaction with the work of professional appraisers in their area, some said that a complete appraisal of property by professional appraisers would serve as a useful guide in their work. One local assessor concluded:

I will agree that a county-wide appraisal by professionals would be desirable, contingent upon the use of a uniform percentage of it by every assessor in the county as the assessed valuation of each property. That would prevent favors to his political friends which is a common practice now. That plan would require some new legislation which would be very hard to get on the statute books.

Assessment Inequalities

This study has utilized data from 21 Michigan counties to examine more closely the assessment levels within individual districts. These data were obtained from equalization studies conducted by the State Tax Commission over the past five years. Included in the 21 counties were 320 townships and 53 cities.

Township Assessment Districts

Among the 320 township assessment districts, average local assessment levels varied widely. The median average assessment levels of six township groups — four rural township groups, one urban township group, and one resort township group — were generally about 50 percent of the state appraised valuations. But, the average assessment levels varied by more than 30 percentage points within each of the six groups. Real property was found to be assessed at a higher percentage of cash value than was personal property in 196 of the 320 townships.

Real property made up the larger share of the total property valuation within the townships, and variations in the real property assessment levels were similar to the variations for all property.

The average assessment levels of personal property, however, varied much more than those of real property. The range of personalty assessment levels was more than 60 percentage points in each of the six township groups. In the groups of rural townships studied in 1955 and 1958, and in the urban township group, the lowest personalty assessment levels were less than 10 percent of the state appraisal valuations.

Within each township assessment district the average assessment levels of 20 classes of real property were compared with the average assessment level of all real property in the individual district. These data were then used to determine the extent to which certain property classes were either under-valued or over-valued relative to the average realty valuations. In order to aggregate the assessment levels of each property class, the assessment-appraisal value ratios of each district were adjusted to the equivalent of a 100 percent assessment for real property on the basis of state appraised valuations.

A summary of the average adjusted assessment levels of the 20 major classes of real property is presented in TABLE 5-1. When a tolerance of 10 percentage points is allowed, over-assessment is indicated by the proportion of the townships in which the adjusted assessment level was greater than 110 percent, and under-assessment is indicated by the proportion assessed at less than 90 percent of the state appraisal valuations. Thus, for example, cutover lands were over-valued by local assessors in 86.7 percent of the townships and under-valued in only 3.7 percent. The median adjusted assessment level of cutover lands was 147 percent.

The data clearly indicate that township assessors tended to overvalue cutover lands, farm vacant real estate, and lands upon which timber has been partially cut. It is equally clear that local assessors tended to under-value suburban acreage improved real estate.

When a median assessment level of greater than 105 percent is taken as indicative of a tendency toward over-assessment, we find that local assessors tended to over-value five classes of real property: (1) cutover lands, (2) farm vacant real estate, (3) part-timber lands, (4) utility

Property Class	Median Assessment Level	Proportion of Sample Assessed at More than 110 Percent	Proportion of Sample Assessed at Less than 90 Percent
	Percent	Percent	Percent
Cutover Lands	147	86.7	3.7
Farm Vacant	134	82.5	4.1
Part Timber	133	74.3	11.5
Utility	1 2 9	60.8	27.9
Suburban Acreage Vacant ^a	121	56.9	28 .0
Residential Vacant ^a	105	45.9	32.8
Resort Platted Improved ^a	103	37.9	30.2
Resort Acreage Vacant ^a	101	44.0	44.1
Resort Platted Vacant	98	35.5	39.4
Timber	98	33.5	42.9
Farm Improved ^a	9 8	20.1	20.9
Industrial	96	35.0	44.3
Suburban Platted Vacant ^a	96	42.1	44.6
Residential Improved	95	17.2	37.0
Suburban Acreage Improved "H	s'' 94	28.0	43.0
Business Improved	92	21.7	46.1
Suburban Platted Improved	90	17.4	50.6
Resort Acreage Improved	88	22.5	53.0
Business Vacant	86	32.9	52.1
Suburban Acreage Improved	85	7.0	61.1

TABLE 5-1 Average adjusted assessment levels of 20 classes of real property in 320 townships

^aAlso compare TABLE 5-2 and TABLE -53.

real estate, and (5) suburban acreage vacant real estate. In the same fashion we find that local assessors tended to under-value six classes of real property: (1) suburban acreage improved real estate, (2) business vacant real estate, (3) resort acreage improved real estate, (4) suburban platted improved real estate, (5) business improved real estate, and (6) suburban acreage improved "B" real estate.

The average adjusted assessment levels of six classes of real property differed significantly between the rural and urban townships. Among 209 rural townships four classes of potential homesite property were assessed at a median adjusted level of 105 percent or greater: (1) suburban acreage vacant real estate, (2) resort acreage vacant real estate, (3) residential vacant real estate, and (4) suburban platted vacant real estate (TABLE 5-2). These same four property classes were assessed

Property Class	Median Assessment Level	Proportion of Sample Assessed at More than 110 Percent	Proportion of Sample Assessed at Less than 90 Percent
	Percent	Percent	Percent
Suburban Acreage Vacant	126	61.4	25.0
Resort Acreage Vacant	108	49.3	44.0
Residential Vacant	107	46.8	31.9
Suburban Platted Vacant	105	46.4	38.9
Resort Platted Improved	98	35.2	40.5
Farm Improved	97	9.2	18.3

TABLE 5-2 Average adjusted assessment levels of 6 classes of real property in 209 rural townships

at median adjusted levels of 97 percent or lower among 74 urban townships (TABLE 5-3). Also, the median assessment levels of resort platted improved real estate were 105 percent in the urban townships and 98 percent in the rural townships. And the median assessment levels of farm improved real estate were 105 percent in the urban townships and 97 percent in the rural townships. Thus the data suggest that assessors in predominately rural areas value potential homesite property at higher levels and farm improved real estate at lower levels than assessors in urban districts.

Property Class	Median Assessment Level	Proportion of Sample Assessed at More than 110 Percent	Proportion of Sample Assessed at Less than 90 Percent
	Percent	Percent	Percent
Resort Platted Improved	106	38.1	19.1
Farm Improved	105	41.8	23.7
Suburban Acreage Vacant	97	36.1	41.7
Residential Vacant	96	42.3	38.5
Resort Acreage Vacant	85	22.2	55.6
Suburban Platted Vacant	80	23.4	61.7

TABLE 5-3	Average adjusted assessment levels of 6 classes of	f
	real property in 74 urban townships	

The average adjusted assessment levels of the five major classes of personal property are given in TABLE 5-4. There was a tendency for local assessors to over-value two classes of personal property: (1) pipelines, and (2) utility personal property. Two personalty classes were under-valued in more than 50 percent of the cases: (1) farm personal property, and (2) industrial personal property. The median adjusted

Property Class	Median Assessment Level	Proportion of Sample Assessed at More Than 110 Percent	Proportion of Sample Assessed at Less Than 90 Percent
	Percent	Percent	Percent
Pipelines	139	78.6	3.2
Utility	124	60.1	19.3
Business	92	32.8	47.6
Farm	81	19.6	60.8
Industrial	80	2.0	56.4

TABLE 5-4Average adjusted assessment levels of 5 classes of
personal property in 320 townships

assessment level of the remaining class, business personalty, was 92 percent. This class of personal property was under-valued in 47.6 percent of the cases, but it was also over-valued in 32.8 percent of the districts. These comparisons of personalty assessment levels were based upon the equivalent of a 100 percent assessment for all personal property within each township.

City Assessment Districts

Among the 53 city assessment districts, the average assessment levels for all property ranged from 34.0 percent to 85.8 percent of the state appraised valuations. The median assessment level was 52.6 percent. There was little difference between the average assessment levels of real and personal property.

On the whole, average assessment levels were somewhat more uniform among the cities than among the townships. The assessment-appraisal value ratios for all real property in 31 of the 53 cities were within 10 percentage points of the median realty ratio. In the case of personal property, however, the ratios of only 15 cities were within 10 percentage points of the median personalty ratio.

The average adjusted assessment levels of the 6 major classes of real property and the 3 major classes of personal property are given in TABLE 5-5. Again a tolerance of 10 percentage points is allowed. And the comparisons of realty and personalty classes are based upon the equivalent of a 100 percent assessment for real and personal property, respectively.

Property Class	Median Assessment Level	Proportion of Sample Assessed at More Than 110 Percent	Proportion of Sample Assessed at Less Than 90 Percent
	Percent	Percent	Percent
Real Property			
Utility	140	71.0	21.1
Industrial	101	26.5	26.5
Residential Improved	101	7.6	7.6
Business Improved	100	28.3	26.5
Residential Vacant	91	28.3	49.1
Business Vacant	84	28.4	56.6
Personal Property			
Utility	118	53.4	30.9
Business	105	42.0	16.0
Industrial	90	10.8	50.0

TABLE 5-5	Average adjusted assessment levels of 6 classes of
	real property and 3 classes of personal property
	in 53 cities

Utility real estate, with a median adjusted assessment level of 140 percent, was over-valued by local assessors in 71 percent of the cities and under-valued in only 21.1 percent. On the other hand, business vacant real estate and residential vacant real estate were both undervalued by local assessors in a substantial majority of the cities. The median assessment level of residential vacant real estate was 91 percent, and the median assessment level of business vacant real estate was only 84 percent. The other three property classes were assessed, on the average, very close to the 100 percent level.

The median adjusted assessment levels of utility personal property, business personal property, and industrial personal property were 118 percent, 105 percent, and 90 percent, respectively. Thus, there was some tendency for local assessors to under-value industrial personalty and over-value business and utility personal property within the 53 city assessment districts.

The Range of Adjusted Assessment Levels

The range of the adjusted assessment-appraisal value ratios of each property class was quite large. And, more importantly, in most instances the range of the middle 50 percent of the adjusted assessment levels was also substantially large. The ranges of the adjusted assessment-appraisal value ratios of the major property classes in the 320 township assessment districts are shown in FIGURE 5-1. In order to emphasize the range of the middle 50 percent of the adjusted assessment levels and the median assessment levels, the portion of the total range beyond 200 percent is not shown. The upper end of the total range was more than 10 times the 100 percent assessment level in the extreme cases, but the proportion of the adjusted ratios which exceeded 200 percent was small in nearly all property classes. However, it should be noted that more than 25 percent of the adjusted assessment-appraisal value ratios for utility real estate and for pipelines were above the 200 percent level.

In general, the extremely low and extremely high adjusted assessment levels were observed in local assessment districts where the particular property class accounted for a relatively small proportion of the total valuation. And, although the variations in the assessment levels of different property classes within the individual assessment districts were somewhat larger in some districts than in others, the evidence was not sufficient to conclude that any particular group of local assessors

				Adju	sted A	ssess	ment	Level			
D. 1 D	0	20	40	60	80	100	120	140	160	180	200
Real Property		7777			mm	TTV	m	77777	77777	7777	
Farm M											
raim v.	177						4		VII		
Bus. Imp.					1			ШЦ			
Bus. V.											
Industrial					1	4	VIII			/////	\mathbb{Z}
Utility					$//\lambda$						3
Res. Imp.					///	ΠZ	////	////			
Res. V.			\mathbb{Z}	////	///			////	/////	/////	7/2
Sub. Ac. Imp.		7///	/////	/////	1	\$77	////	[[[]]	////	\mathbb{Z}	
Sub. Ac. V.		1///	/////	////	///				ł	/////	77
Sub. P. Imp.				/////		11	11/1		7777		
Sub. P. V.			/////					K	1111	////	72
Sub. Ac. Imp. "B"				////	1	1	V///	1111	1111	/////	1/2
Resort Ac. Imp.		\mathbb{Z}	/////	////	1	K	[[]]]	////	/////	/////	772
Resort Ac. V.		////	/////						////		773
Resort P. Imp.	I	////		/////	///	1	11	////	////	/////	73
Resort P. V.		\mathbb{Z}	/////	/////	A			V////	////	////	\mathbb{Z}_{s}
Timber			/////	///				////		1111	77
Part Timber						TAX			1111		773
Cutover Lands					1111		1			VI.	73
Personal Property											
Farm Per.								////	////		77
Bus. Per.			/////				V//		////	1111	73
Ind. Per.			7///				V///	111		/////	Th
Utility Per.	Į.	1111	1111	1////	/////					/////	73
Pipelines					277	XII		T			3
			ower Aiddle Median	and u 50 p	ercen	 25 pen t	cent				

FIGURE 5-1. Range of adjusted assessment-appraisal value ratios in 320 Michigan Townships

or any particular area was responsible for the wide variations in assessment levels. Rather, the lack of uniform assessments was generally prevalent in all local assessment districts.

The ranges of the adjusted assessment-appraisal value ratios of the major property classes in the 53 city assessment districts are shown in FIGURE 5-2. The portion of the total range beyond the 200 percent level is not shown. And it should be noted that more than 25 percent of the adjusted assessment-appraisal value ratios for utility real estate were above the 200 percent level.

In both the township and the city assessment districts, utility real estate and utility personal property were the least uniformly assessed of the major property classes. The adjusted assessment levels of pipelines also varied considerably in the township assessment districts. And, in both township and city districts, potential homesite properties were less uniformly assessed than the corresponding classes of improved real estate.

The nature of the data employed in the current study does not permit any judgment of the relative quality of local assessments among the districts. Although the extent of the variations in the assessment levels of different property classes within the local districts may suggest something about the quality of local assessment, valid judgment requires knowledge of the variations in assessment levels within, as well as among, the property classes. Hence, the present study has refrained from any attempt to appraise the relative quality of local assessments among the assessment districts.





FIGURE 5-2. Range of adjusted assessment-appraisal value ratio in 53 Michigan cities.

Conclusions

Property owners in Michigan now bear a substantial portion of the burden of financing local governmental units, and it is very unlikely that this burden will be diminished in the near future. Hence, it is essential that the weaknesses of the current general property tax system be minimized.

At the present time most local assessors are attempting to assess property at some level in the range from one-fifth to one-third of existing market values. These locally assessed valuations are, in most cases, increased during the process of county and state equalization. And state equalized valuations represent about one-half of current market values.

It must be noted, however, that inequalities in local assessment valuations are not eliminated in the equalization process. Equalization is not a substitute for the appeal of individual property assessment valuations. Moreover, even when assessment appeals are successful, tax inequities will still remain if certain classes of property are valued at a percentage of current market value which differs from that applied in the valuation of other property classes. For example, among the counties included in this study the assessment of all farm vacant real estate at exactly the median level of that class would still have treated the owners of farm vacant real estate unfairly because the median level was more than 30 percentage points higher than the average assessment level of all real property. Hence, in the median case, these property owners were being over-taxed by more than 30 percent.

Many individuals and groups have taken positions opposing any increase in the 15-mill property tax rate limitation. If an effective limitation on property tax rates is desired, however, equal emphasis must

be given to the level of state equalized valuations. Under the existing legal requirements there is nothing, except the discretionary actions of the State Tax Commission and the State Board of Equalization, to prevent the increase of state equalized valuations to levels approaching full market value. This, of course, would be the equivalent of approximately doubling the 15-mill limitation. Although a rapid rise in the state equalization level is not likely, the increasing pressures upon the 15-mill limit will probably result in a gradual rise of state equalized valuations.

It is not within the scope of this study to suggest changes in the present administration of the general property tax. Rather, emphasis has been placed upon the existing structure of the Michigan property tax system and, more specifically, upon the variations in the average assessment levels of different classes of both real and personal property in a sample of 21 Michigan counties. More information concerning the variation of assessment levels within each property class would indeed be valuable. And further study of the assessment procedures followed by local assessors would be necessary before suggesting substantial changes in the present system.

Nonetheless, some property owners are receiving inequitable treatment under the current property tax assessment system. Whether these inequities can be reduced most efficiently by the use of more trained appraisers within each local district, conversion to a county-wide assessment system, increased scope of State Tax Commission activities, or in some other manner is subject to further study. No doubt a combination of several actions will prove desireable. But the important point is that changes of some fashion are needed if equitable treatment of all property owners is to be achieved.

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